

Financial Statements

for the Fiscal Year

Ended on December 31, 2021



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Chairman of the BOD Address



Chairman of the Board of Directors Address

I am pleased on my own behalf and on behalf of my fellow board members to welcome you all and thank you for accepting the invitation to attend the general assembly meeting to discuss the annual report of **Arabia Islamic Bank** for the fiscal year ending on December 31, 2021, including the bank's financial statements and the most prominent achievements that have been achieved as well as future goals, and the report came in line with all laws, regulations and instructions of supervisory authorities, including the rules of corporate governance related to disclosure, transparency and the application of international financial reporting standards.

Dear Shareholders...

It is no secret to anyone the magnitude of the challenges facing the global economy in general, and the Iraqi economy in particular, in the years 2020\2021 due to the Corona virus pandemic, which cast a shadow on the economic and investment conditions, which negatively affected business confidence, investment decisions, and global trade. These challenges have a direct impact on the slowdown in economic growth in the region. Despite these challenges, our bank was able to overcome most of the obstacles created by the crisis. Which enabled us to achieve business continuity, manage assets and liabilities within the available capabilities in a professional and efficient manner, to raise the level of the bank's services in line with the developments in the banking industry, and to meet the concept of readiness by providing the service that the customer needs under the circumstances of the crisis. Deposits of all kinds are about (18.3) Billion IQD. As for the financing granted to customers, the Islamic finances amounted to (62.6) Billion IQD for this year, most of which are secured by solid guarantees, in compliance with the related instructions of the Central Bank of Iraq and in order to reduce the credit risks of the bank, and these financing facilities have been classified within the Investments account based on the directive of the Central Bank in their letter numbered 9/3/222 on 12/07/2021. In addition, our bank started granting various banking services and products, including participating in the Central Bank's initiative for loans granted to small and medium enterprises.

In order to boost the various banking activities to keep pace with the progress in the banking business, the Board of Directors approved a strategic plan for the coming years that focused mainly on providing a variety of electronic banking services that cover the needs of customers and contribute to achieving the goals of financial inclusion, and a contract was signed with the **Arab Payment Services (APS)** dated November 30, 2021 for the purpose of issuing, managing and operating Visa cards, as well as controlling ATMs and points of sale. In addition to improving the internal control environment, activating corporate governance procedures, developing the human element, developing electronic systems, and diversifying the composition of banking activities and revenues. We hope that the bank will achieve good growth in the volume of business and admirable profits that are equal to or better than the average profits of counterpart Iraqi banks.

We record our thanks and appreciation to all the bank's employees for the outstanding efforts they made during the previous period, and we also record our thanks and appreciation to the Central Bank of Iraq, headed by the Governor, as well as representatives of the Central Bank, representatives



of the Companies Registration Department and representatives of the Securities Commission for their attendance of this meeting.

May Allah help us all to serve our country, and may Allah's peace and mercy be upon you

(Signed)

AHMED ABDULMAJEED JOMA
Chairman of the Board of Directors

(Seal of)

Arabia Islamic Bank
Board of Directors

Board of Directors Report Regarding the Bank's activities for the fiscal year ended on 31/12/2021

We present to you the comprehensive report of the Board of Directors on the activities and business of the bank for the fiscal year ended on 31/12/2021, which was prepared in accordance with the provisions of Articles (117) and (134) of the Companies Law No. (21) of 1997, as amended and the instructions of the Companies' Accounting System No. (1) for the year 1998.

First: - Introduction about the bank

- Arabia Islamic Bank was established back in 2015, when the registration procedures were completed according to the Companies Registration Department letter No. 605 on 11/01/2016 with a capital of (100) Billion IQD, and the bank was granted a license to practice banking operations according to the letter of the Central Bank of Iraq No. 9/3/9846 on 20/06/2016. The bank's capital was increased to (250) Billion IQD at the general assembly meeting held on 09/09/2016 by offering new shares with a value of (150) Billion IQD for subscription in accordance with the provisions of Article (56 \ Fourth) of the Companies Law, and the necessary legal procedures have been completed with the Companies Registrar according to their letter No. SH/H/2/23339 on 07/12/2016.
- On 22/10/2015 the General Assembly of the United Arab Money Transfer Co. (Private Shareholding) decided to transfer the company into an Islamic bank and increase its capital to (250) Billion IQD for the purpose of practicing banking and financial activities in accordance with the principles of Islamic Sharia provisions and Islamic Banking Law No. (43) of 2015. The approval of the Ministry of Commerce – Companies Registration Department was obtained according to their letter No. 605 on 11/01/2016. The bank also started its banking business on 02/10/2016 in accordance to the letter of the Central Bank of Iraq No. 9/3/1072 dated 30/06/2005 and according to the establishment certificate numbered M.SH/16557 on 05/20/2004.

Second: The bank's vision

To be a leading Islamic bank, a model of excellence, and the preferred partner for clients locally and internationally.

Third: The bank's message

- We strive to achieve excellence in everything we do.
- We seek to be a partner in providing a comprehensive range of high-quality financial products and services.
- We seek to build a strong financial organization that will provide sensible revenues with an emphasis on prudent risk management.
- We seek to be the preferred destination for job seekers by enabling our employees to achieve success in a well-deserved manner, so that this success is a reflection of their high professionalism, leadership skill, collective efforts and initiative spirit.
- We aim to be a leading bank among our peers by applying the best international practices in line with the specificity of the local market.

Fourth: The bank's objectives

- In general, the bank aims to achieve the following:

1. Contributing to the economic development and the construction of Iraq within the framework of the state's general policy, by practicing comprehensive Islamic banking in all investment and



financing fields to serve all economic sectors and in a manner consistent with the provisions of the Islamic Banking Law and the instructions of the Central Bank of Iraq and Corporate laws.

2. Providing the best banking services to its customers inside and outside Iraq.
3. Maximizing the returns for the bank's shareholders.
4. Continuing to develop the skills and competencies of employees.
5. Maintaining its leading position among Iraqi banks.

The bank will also continue its endeavor to attract savings and deposits and employ them in various investment fields, in addition to carrying out various other banking activities, including financing international trade through documentary credits, guarantees and foreign transfers.

- The bank's goals to reduce carbon emissions

In order to facilitate the transition to a carbon-free future, the bank will increase the support provided to customers (companies and individuals) who seek to switch to clean energy to achieve the goals of reducing greenhouse gases and carbon emissions, as support will be provided for projects and investments that transform systems that contribute to reducing carbon emissions in several sectors as shown in the table below:

1. Converting currently used energy to renewable energy	2. Food production systems
3. Transportation	4. Industry
5. Agriculture	6. Technology

Fifth: The general budget for the fiscal year 2021

1- Assets

The total assets within the budget (Financial Position) at the end of 2021 amounted to (268,101) Million IQD compared to 2020, where the total assets amounted to (339,165) Million IQD, and the following is the composition of the assets items:

No.	Assets	Thousands IQD	Relative importance (%)
1	Cash and balances with the Central Bank of Iraq	174,634,419	65.1 %
2	Balance with foreign banks	11,929,173	4.4 %
3	Investments	60,970,202	23 %
4	Islamic financing (Net)	419,766	-
5	Other assets	748,937	0.3 %
6	Fixed Assets (Net)	11,220,973	4.2 %
7	Intangible assets	159,824	-
8	Undergoing projects	8,018,250	3 %
Total		268,101,544	100 %

A- Liquid balances

Cash liquidity is important in banks because it measures the extent of the bank's ability to meet its various obligations, including requests for cash withdrawals from customers' deposits at any time. Therefore, banks must always be prepared to provide appropriate liquidity without negatively affecting their activities and objectives. Perhaps the most important elements of liquidity in any bank is the cash available in its safes and with the Central Bank of Iraq and other banks. The cash balance at the end of the year 2021 reached about (186,563) Million IQD, i.e. 69% of the total assets, while The cash balance at the end of the year 2020 was (241,534) Million IQD, or 71% of the total assets.



B- Investments

The investment balance amounted to (60,970,202) Thousand IQD as on 31/12/2021, i.e. 23% of the total assets, of which (46,300,000) Thousand IQD represents the balance of (Musharaka and Mudaraba Financing) which constitutes 18.5% of the bank's capital And that the bank's management is directed towards further expansion of investments and the addition of new Islamic products.

C- Bank's contributions

1. The bank contributed to the Iraqi Deposit Insurance Co. with an amount of (750,000,000) IQD.
2. The bank contributed to the Center for Banking Studies with an amount of (10,000,000) IQD.
3. The bank contributed to the establishment of the Arab Exchange Company – Class A with an amount of (4,999,980,000) IQD.
4. The bank contributed to the National Takaful Company with an amount of (550,000,000) IQD.

2- Liabilities and Equity

- The bank's total deposits of all kinds amounted to (18,392) Million IQD at the end of 2021, which constitutes 85% of the total liabilities amounting to (21,646) Million IQD, and it constitutes 7% of the total liabilities and equity amounting to (268,101)) Million IQD.
- As for the equity, it amounted to (246,455) Million IQD, it constitutes 92% of the total liabilities and equity.

No.	Liabilities and Equity.	Thousands IQD	Relative importance
1	Deposits	18,392,895	7 %
2	Long term loans	351,665	0.1 %
3	Cash insurance	2,131,400	0.7 %
4	Other Liabilities	149,415	-
5	Allocations	621,000	0.23 %
6	Equity	246,455,169	92 %
Total		268,101,544	100 %

Sixth: Bank branches

The bank's management adopted a plan to expand and open new branches of the bank in some Iraqi governorates, where the Erbil branch was opened in 2018 and Kirkuk in 2019 and other branches will be opened in the coming years with the approval of the Central Bank of Iraq, knowing that the number of current bank branches (5) Including three branches inside Baghdad, which are (The main branch, Rasheed branch, Karrada branch, which has been merged with the main branch currently according to the approval of the Central Bank of Iraq in their letter No. 9/3/973 dated 17/1/2021), including two outside Baghdad (Kirkuk branch and Erbil branch (As shown in the table below:

No.	Branch Name	Approval letter number and date
	Head Office	-
1	Main Branch	9/8/1150 on 27/07/2016
2	Rasheed Branch	9/3/4421 on 23/03/2017
3	Erbil Branch	9/3/14210 on 24/06/2018
4	Kirkuk Branch	9/3/24960 on 29/10/2019
5	Karada Branch	9/3/84 on 04/01/2018

Seventh: Information of the members of the board of directors\ committees emanating from the board of directors\ shareholders\ members of the board of the Sharia Supervisory Board

1- Original Members of the Board of Directors

No.	Name	DOB	Position	Hiring Date	Number of Shares	Qualifications
1	AHMED ABDULMAJEED JOMA	1965	Chairman of BOD	09/09/2016	2000	BS.C in Management and Economics - Statistics
2	HUDA ABDULWAHAB HASAN	1957	Vice Chairman of BOD	09/09/2016	2000	BS.C in Management and Economics – Economic Science
3	DURAIID YASEEN HAMDAN SALEH	1974	CEO	09/09/2016	2000	BS.C in Management and Economics - Marketing Sciences
4	ABDULMONEIM MAHDI SALEH LATIF	1967	Member	09/09/2016	24,750,000,000	BS.C in Management and Economics – Business Administration
5	HAIDER AKRAM MOHAMMAD ALI	1980	Member	09/09/2016	2000	BS.C in Management and Economics
6	AHMED JALIL AMIN	1965	Member	20/06/2021	2000	BS.C in Computer Science
7	BAKIR RAAD ALI	1981	Member	20/06/2021	2000	Upper secondary industry school graduate

Clarification: The original chairman and members of the Board of Directors were re-elected in accordance with the letter of approval of the Central Bank of Iraq to reappoint them in the letter No. 9/3/11687 dated 20/06/2021 in regards to original members (number 1 to 5) and reserve members (number 1)

2- Reserve Board Members

No.	Name	DOB	Position	Hiring Date	Number of Shares	Qualifications
1	AZHAR MUAYAD AHMED	1985	Member	09/09/2016	2000	BS.C in Management and Economics
2	JIHAD MUHAMMAD ALI KHURSHID HUSSAIN	1961	Member	20/06/2021	2000	BS.C in Business Administration
3	BAN DARWISH FERRARI KHAIR HADDAD	1973	Member	20/06/2021	2000	BS.C in Business Administration
4	BAN RIAD SADIQ	1976	Member	20/06/2021	2000	Upper secondary school
5	IBRAHIM NOUREDDINE IBRAHIM	1967	Member	20/06/2021	2000	BS.C in Biology Sciences
6	MUJIB HAMID MAJEED	1971	Member	20/06/2021	2000	BS.C in Industrial Management
7	ADNAN FAISAL ABBAS	1970	Member	20/06/2021	2000	BS.C in Management and Economics – Accounting

3- Other details of the members of the board of directors

No.	Name	Rewards	The banking facilities granted to the member	Membership in the boards of directors of other companies	Transactions that take place between the member and the bank or with related parties	Independence
1	AHMED ABDULMAJEED JOMA	15,000,000	N/A	N/A	N/A	Independent member
2	HUDA ABDULWAHAB HASAN	10,000,000	N/A	N/A	N/A	Independent member
3	DURAIID YASEEN HAMDAN SALEH	10,000,000	N/A	N/A	N/A	Non-independent member
4	ABDULMONEIM MAHDI SALEH LATIF	10,000,000	N/A	N/A	N/A	Non-independent member
5	HAIDER AKRAM MOHAMMAD ALI	10,000,000	N/A	N/A	N/A	Independent member
6	AHMED JALIL AMIN	10,000,000	N/A	N/A	N/A	Independent member
7	BAKIR RAAD ALI	10,000,000	N/A	N/A	N/A	Independent member



4- Board of Directors meetings and individual attendance

No.	BOD Members	Number of meetings	Meetings Attended
1	AHMED ABDULMAJEED JOMA	(7) meetings	Attended all meetings
2	HUDA ABDULWAHAB HASAN	(7) meetings	Attended all meetings
3	DURAIID YASEEN HAMDAN SALEH	(7) meetings	Attended all meetings
4	ABDULMONEIM MAHDI SALEH LATIF	(7) meetings	Attended all meetings
5	HAIDER AKRAM MOHAMMAD ALI	(7) meetings	Attended all meetings
6	AHMED JALIL AMIN	(7) meetings	Attended all meetings
7	BAKIR RAAD ALI	(7) meetings	Attended all meetings

5- Membership information of board members in board committees

No.	Name	Membership in committees	Appointment date in the committees	Number of committee meetings	Committee meetings attendance
1	AHMED ABDULMAJEED JOMA	Head of the Governance Committee	11/07/2021	2	Attended all meetings
2	HUDA ABDULWAHAB HASAN	Head of the Audit Committee	11/07/2021	6	Attended all meetings
3	DURAIID YASEEN HAMDAN SALEH	Nomination and Remuneration Committee Member	11/07/2021	2	Attended all meetings
4	ABDULMONEIM MAHDI SALEH LATIF	Chairman of the Nomination and Remuneration Committee	11/07/2021	2	Attended all meetings
5	HAIDER AKRAM MOHAMMAD ALI	Head of the Risk Committee Governance Committee Member Audit Committee Member	11/07/2021	2 2 6	Attended all meetings
6	AHMED JALIL AMIN	Governance Committee Member	11/07/2021	2	Attended all meetings
7	BAKIR RAAD ALI	Risk committee Member	11/07/2021	2	Attended all meetings

6- The names of shareholders who own 1% or more of the bank's shares \ the names of shareholders who own 5% or more of the bank's shares:

No.	Shareholders' Name	Nationality	DOB	Address	Number of Shares	Percentage
1	ABDULMONEIM MAHDI SALEH AL SILAWI	Iraqi	1967	Iraq - Erbil	24,750,000,000	9.9 %
2	MOHAMMED HABIB HUSSAIN AL MULLA	Iraqi	1967	Iraq - Baghdad	24,750,000,000	9.9 %
3	MUSTAFA ABDULMONEIM MAHDI	Iraqi	1996	Iraq - Erbil	24,750,000,000	9.9 %
4	MUHANNAD HABIB HUSSEIN AL MULLA	Iraqi	1970	Iraq - Baghdad	24,750,000,000	9.9 %
5	MARYAM MUHAMMAD HABIB AL MULLA	Iraqi	1997	Iraq - Baghdad	24,750,000,000	9.9 %
6	WASSAN HASSAN ALI AL KALAB	Iraqi	1968	Iraq - Erbil	24,750,000,000	9.9 %
7	AWS ABDULMONEIM MAHDI	Iraqi	1988	Iraq - Erbil	24,750,000,000	9.9 %
8	ALAA HABIB HUSSEIN AL MULLA	Iraqi	1964	Iraq - Baghdad	13,000,000,000	5.2 %
9	MANARES AHMED SALEH	Iraqi	1967	Iraq - Samaraa	12,999,997,000	5.2 %
10	SAMER AHMED MAHDI AL ABBASI	Iraqi	1974	Iraq - Baghdad	12,999,997,000	5.2 %
11	SARAH MUHANNAD HABIB AL MULLA	Iraqi	2004	Iraq - Baghdad	12,568,318,666	5 %
12	HASSANEIN MUHANNAD HABIB AL MULLA	Iraqi	2002	Iraq - Baghdad	12,568,320,667	5 %
13	SAJAD MUHANNAD HABIB AL MULLA	Iraqi	2001	Iraq - Baghdad	12,568,320,667	5 %

7- Members of the Sharia Supervisory Board

No.	Name	Position	Hiring Date	Qualifications	Number of committee meetings	Committee meetings Attendance
1	FAROUK SHELTAG MAHDI	Head of the Shariah Board	09/09/2016	Master's degree in Jurisprudence and its origins	6	Attended all meetings
2	ABDULQADIR MAHDI SALEH	Member	09/09/2016	Master's degree in Jurisprudence and its origins	6	Attended all meetings
3	AHMED SALEH HUSSEIN	Member	09/09/2016	B.S.C in Accounting	6	Attended all meetings
4	ALI SALIM SALMAN	Member	07/06/2021	B.S.C in Business Administration	6	Attended all meetings

Clarification: The Chairman and members of the Sharia Supervisory Board (Number 1 and 2) were re-elected in accordance with the letter of approval of the Central Bank of Iraq to reappoint them in the letter No. 9/3/28513 on 19/12/2019, and the member AHMED SALEH HUSSEIN (Number 3)



was re-elected in accordance with the letter of approval of the Central Bank of Iraq to reappoint him in the letter No. 9/3/6582 on 13/05/2020.

Eighth: Salaries and wages

The balance of salaries, wages and bonuses paid to employees during the year 2021 amounted to approximately (919,449) Thousand IQD, noting that the bank's management adopted a policy of continuously improving the standard of living for its employees, and the number of the bank's employees at the end of the year became (60) employees. The following is a table with the names of five employees who received the highest salary during the year/2021

No.	Employee name	Position	Workplace
1	DURaid YASEEN HAMDAN SALEH	CEO	Head Office
2	ALI HUSSEIN JABR	Vice CEO	Head Office
3	MUSTAFA ABDUL KARIM OLIWIY	Second Vice CEO	Head Office
4	DASHTI ABDULLAH MOHAMMED	IT Dept. Manager	Head Office
5	HIBA REDA MAHDI	Compliance Dept. Manager	Head Office

Ninth: Classification of employees

1. Classification of employees according to job titles as on December 31, 2021

No.	Job Description	Number of Employees
1	CEO	1
2	Vice CEO	2
3	Undersecretary of the Board of Directors	1
4	Department Manager \ Compliance Manager \ AML\CFT Department Manager	9
5	Branch Manager	4
6	Department Assistant Manager \ Safe Room Administrator	11
7	Branch Assistant manager	2
8	Unit Manager	2
9	Assistant Accountant	1
10	Observer	2
11	Assistant Observer \ Teller	15
12	Money Counter \ Receptionist \ Service Employee \ Guard \ Electricity Generator Operator \ Driver \ Certified Carrier	10

2. Classification of employees according to educational attainment as on 31/12/2021

No.	Educational attainment	Number of Employees
1	Master's Degree	2
2	Bachelor's Degree	40
3	Institute (Diploma)	5
4	Upper secondary school	8
5	Lower Secondary School	1
6	Primary School	4

3. Administrative activity

Human Resources Development: The Board was keen on developing the human resources by involving them in a series of training programs in various fields and disciplines related to banking



business in order to enhance the capabilities, skills and efficiency of the bank's employees. Below is a table showing the number of training courses and number of participants for 2021:

Number of Courses	Inside Iraq	Outside Iraq	Number of Participants
97	97	-	172

Tenth: Other matters

- Capital adequacy

The bank complies with the instructions of the Central Bank regarding calculating the capital adequacy ratio, as it reached (829%) as on 31/12/2021, noting that the minimum ratio according to the instructions of the Central Bank is not less than 12%.

- Tax

The bank is taxed annually with the General Commission of Taxes for its activities.

- lawsuits and cases brought

There is one lawsuit filed by the bank against third parties in the amount of USD (300,000) related to the theft of an amount of this amount, and the judicial procedures are still in place, and the bank has hedged against it with sufficient allocations, taking into consideration that there are no lawsuits filed against the bank until the end of the year 2021.

- Money Laundering and Terrorist Financing Reporting Department:

The Money Laundering and Terrorist Financing Reporting Department monitors the bank's activity in accordance with the laws and regulations issued by the Central Bank of Iraq to prevent money laundering and terrorist financing from occurring, in implementation of the Anti-Money Laundering and Terrorist Financing Law No. (39) of 2015 and the recommendations issued by the Financial Action Task Force (FATF), where the department submits monthly and quarterly reports on cash banking operations for amounts exceeding (10) Thousand USD or its equivalent in Iraqi dinars, as well as on incoming and outgoing foreign transfers of all kinds to the Board of Directors, the Central Bank of Iraq and the Anti-Money Laundering and Terrorist Financing Office.

In addition to the quarterly reports on the activities assigned to the department, as well as reporting cases of suspected money laundering operations to the competent authorities (the Anti-Money Laundering and Terrorist Financing Office), and the department has paid great attention to this issue and focused on the issue of training the bank's employees through participating in training courses and workshops to combat money laundering and terrorist financing inside Iraq, the bank was also equipped with electronic programs and systems necessary for this purpose, as explained in article thirteen (Electronic Systems).

- Sharia Compliance and Compliance Control Department

The Bank's Board of Directors ensured that the Sharia Compliance and Compliance Control Department performed the tasks and duties entrusted to it to monitor the extent of the bank's compliance with the laws, instructions and regulations issued by the Central Bank of Iraq and the extent to which the policies and procedures approved by the Board of Directors were implemented, and to review the policies and procedures for all departments to ensure their consistency with the relevant laws and instructions, and thus the work of the compliance officer covers all the activities and operations of the bank, and in order to enhance the role of this section, the compliance officer enjoys independence through his direct association with the Board of Directors, and the Department submits quarterly reports to the Central Bank of Iraq's Banking Control Department and copies of it to the Board of Directors, showing the extent of the bank's compliance with the laws and instructions

and standing on issues of non-compliance for the purpose of correcting them and applying the highest standards of compliance in our bank.

- **Risk Management Department**

Structure, policies and procedures of the risk management department

The organizational structure of the risk management department



Risk management is an independent activity that reports directly to the Board of Directors \ Risk Committee, which aims to identify, measure, reduce and understand the types of risks that the bank may face or have faced, and work on evaluating those risks and determining the size of the risks that the bank's management wishes to bear, in addition to verifying that the bank's taking the necessary means and controls to reduce such risks to acceptable levels, in a manner that gives reasonable assurance about achieving the bank's objectives.

Definition of Risk Management

Risk management can be defined as the process of identifying, analyzing, measuring and evaluating risks, monitoring possible events and conditions, and providing management with everything that would pose a risk to achieving the bank's goals, for the purpose of controlling and mitigating risks facing the bank (organization). Risk Management can be defined in short as the administrative activities that control risks and work to mitigate them to acceptable levels

The Board of Directors issued a decision to form a Risk Department as an integral part of the bank. The Risk Department performs the tasks of risk management, provided that department is linked and report directly to the Chief Executive Officer and has the necessary powers to deal with any business issue as of the date of formation of the department.

Risk Management Department Tasks

1. Maintaining the good reputation of the bank by relying on effective investigative methods to manage, control and reduce risks
2. Working to protect the bank's strengths by controlling all types of risks to which the bank is exposed, while working to control them in coordination with all other departments and units of the bank.



3. Emphasizing the importance of the independent role of the Internal Audit Department to monitor the efficiency of risk management in the various activities of the bank.
4. Achieving the principle of transparency and disclosure by providing the bank's senior management, the Board of Directors, and the Internal Audit department with periodic reports on all current and future risks that the bank may be exposed to, while taking the necessary measures.
5. Development and support work continued by the bank's management to establish a strong infrastructure for Risk Management. The department was reinforced with employees and trained extensively to upgrade their professional level. The department manages all the risks to which the bank is exposed, such as Credit Risks, Market Risks, Operational Risks and other risks.
6. Policies and procedures have been developed for the work of this department and the appropriate mechanisms to enable it to work, and its independence has been strengthened by the Board of Directors by linking it to the Risk Management Committee formed from members of the Board of Directors and reports are submitted directly to this committee.
7. The board, based on the committee's recommendation, approved the document of acceptable risks and the permissible limits, after the department prepared the approved risk matrix, which was presented to the Board of Directors.
At the level of credit risk, the completion of credit files is monitored to ensure their documentation and the preparation of the necessary studies on financing risks and related concentrations. The Risk Management Committee has taken all necessary measures to reduce the risk of default, taking into consideration the effects of applying criterion (9) (expected credit default in the future).
8. With regard to market risks, liquidity risks are analyzed and monitored, and gaps are calculated, in addition to the risks resulting from changing exchange rates of foreign currencies.
9. On the level of operational risks, all risks resulting from them are followed up, as the departments and units in the bank have been instructed to inform the Risk Management Department of the operational risks and losses incurred for those departments and units. Moreover, key indicators and matrix of risks to which the bank is exposed, including the risks resulting from Internal control systems and electronic risks.
10. The risk department conducts stress test scenarios, which is one of the requirements of the Central Bank of Iraq for all types of risks and according to the percentages specified by the Central Bank of Iraq.
11. This year, the bank continued to integrate risk management activities into its institutional fabric with the strategic decision-making process, and the Board of Directors is committed to the framework it has approved for business risk management and in a proactive and effective manner that helps the bank achieve its business and strategic objectives, and accordingly the bank's executive management has identified and published its activities Risks Governance on all tasks carried out by departments and employees therein as part of their daily work.
12. An automated system for categorizing customers' risks has been activated and has been started in July 2021.
13. Acceptable limits of risk: The Board of Directors approved the policy for acceptable limits of risk for the year 2021.

Risks types

A. Financial risk

It is the possibility of not recovering the principal of the debt or the profits on time and its entirety, which results in a financial loss for the bank, and the risks of fluctuation and change in the fair value or cash flows of financial instruments as a result of the change in market prices such as currency exchange rates and stock prices.

B. Operational risk

Operational risks are considered one of the most significant risks that can affect the bank and lead to its sudden bankruptcy. Therefore, a document has been prepared to be the basis, general framework and work guide for the Operational Risks Unit, in recognition of the importance of these risks, including the types of operational risks as follows:

- Internal \ external fraud.
- Employee conduct and work environment safety.
- Damage to fix assets.
- Disruption of work and stoppage of systems.
- Operations Management.
- Environmental, social and economic events.

C. Environmental and social risks

1. Environmental risks in Iraq can include shocks caused by the collapse in global oil markets, droughts and the exacerbation of the Corona pandemic due to the spread of new mutants of the virus, as well as the problems that the Iraqi economy is likely to face, represented by public financial risks and the like, such as the increasing stagnation in the public budget of Iraq, the slowdown in settling debts, the high exposure of state-owned banks and the Central Bank of Iraq to sovereign debt, and public investment management obstacles that affect the level of public service delivery.
2. Social risks include human rights, consumer protection, reputation, diversity, and lack of knowledge of expansions in developed markets, whose impact is reflected on assessments of liquidity, financing and assets quality.
3. Possible effects of changes in regulatory and supervisory rules over the next two years. It is expected that cyber security will be on top of the list of risks, while environmental, social and governance standards rank as less dangerous.
4. The phenomenon of desertification, drought, climate change, the lack of water sources for downstream countries and the scarcity of rain are considered one of the major environmental risks that the country has been experiencing in recent years and its impact has been reflected on the climate of Iraq and the deterioration of the agricultural sector, which has negatively affected other sectors, which requires high-level management to manage the water issue and desertification and encouragement of sustainable investment in this sector in a large way in the direction of growth and the green economy.
5. Based on the Sustainability Guideline issued by the Board of Directors of the Central Bank of Iraq by Resolution No. (209) of 2021, unified policies and procedures for managing risks related to environmental and social aspects were prepared, after sustainable development today became the paramount goal for all financial institutions.



D. Other risks

As part of the risk assessments and control procedures, the main business objective(s) and risk(s) that may be exposed to are initially identified in order to attempt to achieve the objectives by establishing sufficient control procedures (Controls) to control those Risks, while the risks are evaluated and the degree of each risk is determined if it is (High\ Medium\ Low) and the degree of importance of each risk is taken into account with the employees responsible for those operations, and the cause of the risk and the consequences of its occurrence are also taken into account. Risk assessment based on determining the potential impact on the bank's operations in the following aspects:

- Reputational risk
- Compliance risk (the potential impact of the risk of non-compliance with relevant laws, regulations and legislation)
- Legal Risks
- Risks of non-compliance with the risks of Sharia
- Strategic risks
- Environmental and Social Risks

The Bank's Three Lines of Defense

First Line (Business Units)	The second line (Risk Management)	Third Line (Internal Control)
<ul style="list-style-type: none"> • Events reporting. • Operational risk management. • Participation of risk management in the periodic assessment of risks. • Promoting a culture of risk and promoting informed decision-making. 	<ul style="list-style-type: none"> • Develop risk management policies and monitor acceptable risk limits. • Analysis and compilation of results. • Review the risk self-assessment. • Raising awareness and promoting a culture of risks and giving advice 	<ul style="list-style-type: none"> • Test the implementation of policies and strategies. • Give reasonable assurance about the effectiveness of risk management. • Test and verify risk procedures. • Follow a risk-based control.

- First line of defense (Business Units)

Business units represent the first line of risk defense, given that business units know the nature of their work well, the risks they may be exposed to and the extent of their acceptance, and according to the acceptable risk policy approved by the Board of Directors to achieve the objectives set in accordance with the bank's strategic plan.

- Second line of defense (Risk Management)

Where the risk management department sets the policy of acceptable limits for risks with the identification, measurement and monitor risks.

- Third line of defense (Internal Control)

The third line of defense is the Internal Control \ Audit, which plays the role of guarantee, independent and objective advisory, and examines the efficiency and effectiveness of the first and second lines of defense on behalf of the Board of Directors and the executive management and passes the results and recommendations through periodic reports to the Board of Directors for the purpose of studying and addressing risks that the bank may be exposed to.

The Board of Directors can be considered the fourth line of defense against risks, as it is the party concerned with receiving all reports and has responsibility for the risks of the financial organization and sets business strategy and risk management.



Determine the acceptable level of financing risks

A. The level of risk acceptance for financing risks is determined based on the maximum permissible risk limits in accordance with the bank's strategy for granting bank finance.

- The level of risk acceptance for granting cash financing and pledge commitments does not exceed 800% of the bank's regulatory capital.
- The ratio of cash credit to total deposits does not exceed 75%.
- The ratio of cash security deposits to letters of guarantee shall not be less than 15% of the amount of the letter.

B. Credit concentration risks are as follows:

The value of concentration when granting funds in one sector does not exceed 50% of the total financing.

- Granting bank finance to one geographical region, with no more than 40% of the total finance granted to all regions.
- Funds granted to a single customer should not exceed 10% of the bank's regulatory capital.
- The acceptable level of risk for credit financing granted to the largest ten clients is 20% of the bank capital.

Acceptable level of liquidity risk

The acceptable level of risk standard ratios are as follows:

- Liquidity coverage ratio: no less than 100%
- The stable net financing ratio: no less than 100%
- The cash credit ratio to the total deposits: no exceed 75%
- Liquidity ratio: no less than 30%

The acceptable level of risk for capital investment

The acceptable level of investment risk should not exceed 20% of the bank's regulatory capital.

The acceptable level of risk in foreign currencies investment

According to the letter of the Central Bank of Iraq No. 9/3/180 dated 30/06/2020, the bank must not exceed the maximum limit of 20% for foreign currency centers of the bank's capital, provided that:

- The percentage of investment in foreign currencies does not exceed 10% of the above percentage.
- The ceiling of investment in foreign currencies (USD) with one entity does not exceed 20% of the funds available for investment.
- The percentage of investment in deposit certificates in foreign currencies does not exceed 5% of the above percentage.

Acceptable level of operational risk

A 5% of the net income of the bank is calculated to represent the acceptable risk level for operational risks.

Acceptable level of other risks

A 5% of the bank's annual net income is calculated as the level of acceptable of other risks.

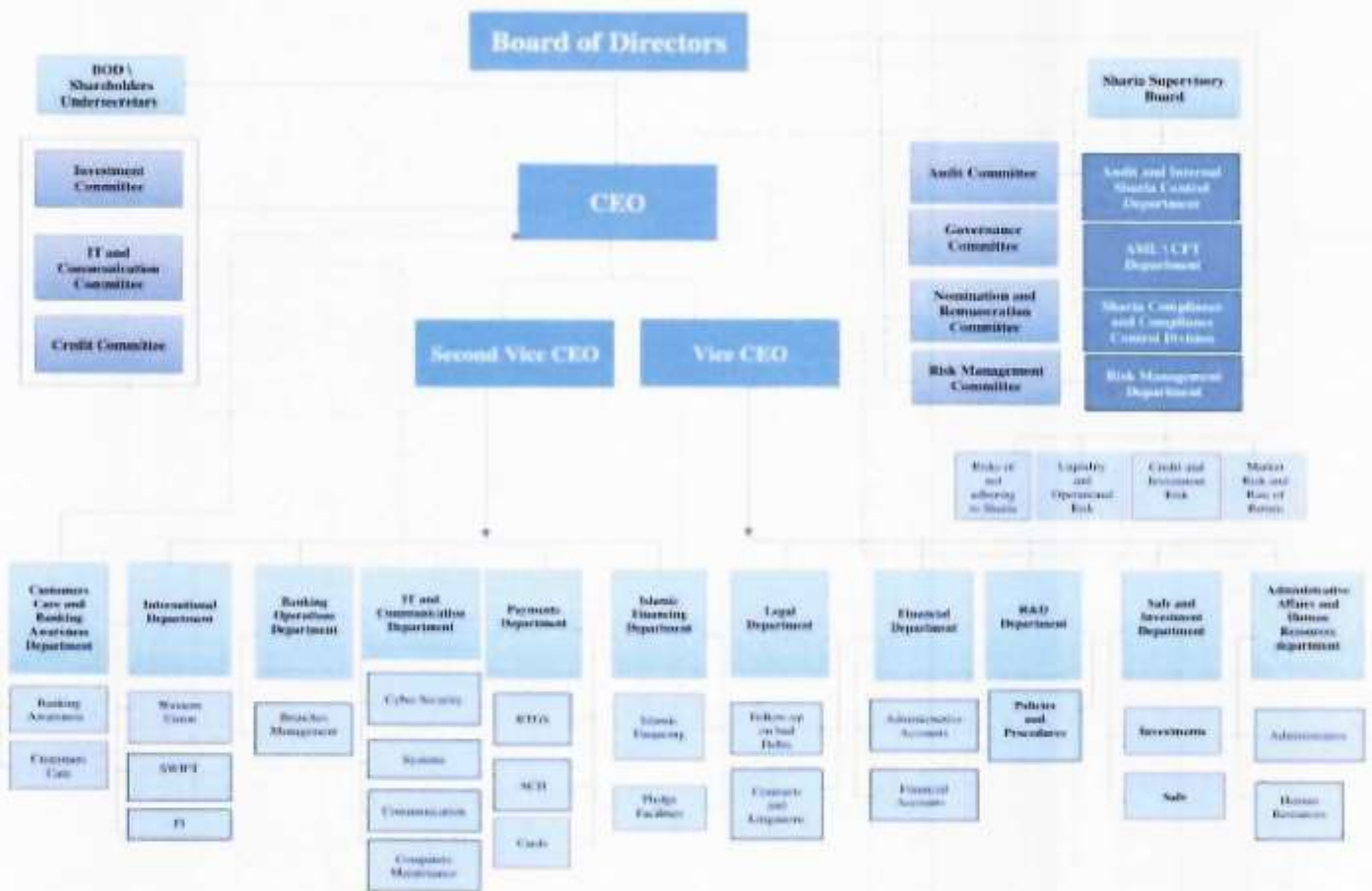
The basic rule in controlling the acceptable level of risk

The basic rule in monitoring the acceptable level of risk lies in the risk management obtaining complete data related to the levels of grants and investment that take place within the bank and the creation of a database for that purpose.

Calculating the capital adequacy of the bank

The capital adequacy of the bank is calculated in accordance with the instructions of the Central Bank of Iraq, which includes that the ratio does not fall below 12% of the risk-weighted assets.

Organizational Structure of Arabia Islamic Bank 2021



Eleventh: The bank's organizational structure

Based on the Corporate Governance Guide for Banks issued by the Central Bank of Iraq, the updated organizational structure of the bank for the year 2021 was approved, which defines the powers and responsibilities for all levels, ensuring clarification of the limits of powers and responsibilities for each level, and the separation of duties, and below is the model of the organizational structure of the bank for the year 2021:



Twelfth: Summary of the activities of the committees originating from the Board of Directors

No.	Committee Name	Number of Meetings
1	Governance Committee	2
2	Nomination and Remuneration Committee	2
3	Risk Management committee	2
4	Audit Committee	6

1. Governance Committee

The Governance Committee held two meetings during 2021, which included the following:

- Forming a working group for the purpose of updating the bank's governance guide in light of the recent directives received from the Central Bank regarding taking all necessary measures to implement the aspects of the scorecard.
- Examining the minutes of the committee's meetings originating from the Board and the Executive Management, and the observations made therein.

2. Nomination and Remuneration Committee

The Nomination and Remuneration Committee held two meetings during 2021, which included the following:

- Discussing the decisions of the Appointments and Promotions Committee.
- Nomination and election of new members to the Board according to the requirements of the governance guide.
- Nominating employees to fill positions in the bank's departments.

3. Risk Management Committee

The Risk Management Committee held two meetings during 2021, which included the following:

- Credit risks of Islamic finance of all kinds.
- Operational risk.
- Scenarios related to Market Risks, External Environment Risks and Liquidity Risks.
- Conducting stress tests, calculating the financial ratios of budget items.

4. Audit Committee

The Audit Committee held 6 meetings during 2021, which included the following:

- The committee was informed of the updated organizational structure for 2021.
- The committee reviewed the budget, Closing Balances and reviewed them with the independent auditor.
- The Committee reviewed the results of the audit of the quarterly budget prepared by the Internal Audit Department.
- The committee discussed the extent of application of international accounting standards according to the directives of the Central Bank.
- View the consolidated report of the AML \ CFT Department.
- The committee reviewed the reports of the Risk Management Department.
- The Committee reviewed the reports of the Sharia Compliance and Compliance Monitoring Department.
- The committee reviewed the Financial Department data and all financial ratios and compared them with the previous ratios.



Thirteenth: The banking systems used by the bank

No.	System Name
1	Banking system
2	Online banking system
3	Mobile Banking System
4	Credit Inquiry System CBS
5	Online Credit System CBS
6	AML system for monitoring daily transactions and suspicious transactions to combat money laundering transactions
7	WORLD CHECK GLOBAL SANCTIONS LISTS
8	RBA system for customer risk rating
9	Optical cable banking network
10	Hosting and designing the bank's website
11	Electronic card management and issuance system
12	Central fingerprint system
13	ATM machines
14	Electronic card system
15	Smart clear system
16	Hosting bank's email addresses
17	Kaspersky system
18	Electronic archiving system Laser Fiche
19	Supplying, operating and applying Microsoft licenses
20	Western Union money transfer system
21	The US Tax Compliance System (FATCA)
22	Payments Clearing and Settlement System (BUNA Institution)
23	Q-System
24	CSD Islamic Certificates Deposit System
25	SWIFT
26	Letter of Guarantee platform system
27	Print Server
28	Access Control
29	Alarm System
30	Virtual Servers Creation and Management System (ESXI)

Fourteenth: The methods used to attract term deposits

Proceeding from the supervisory and directorial role of the Central Bank of Iraq and according to the letter No. 9/3/80 on 20/02/2019, which included the efforts of Islamic banks to reach the percentage of the deposit criterion, which should not be less than 30% of the total liabilities. Thus, the bank's Management took it upon itself to provide new banking products and services that are in compliance with Islamic Sharia to support the financial inclusion process and reach an advanced percentage of the deposits standard as follows:

1. Expanding the operations of issuing letters of guarantee by adopting term deposits as cash guarantees for those guarantees.



2. Providing banking facilities with the guarantee of investment deposits and Salary localization (Salary settlement).
3. Launching a savings account service with granting special privileges to some accounts, for example, launching annual prizes distributed to the owners of the largest 10 savings accounts that have not been withdrawn for more than a year and include the following branches:
 - Salary (Savings) account.
 - Retirement (Savings) account.
 - Gift (Savings) account.
 - Atfaluna (Savings) account.
4. Exempting savings accounts from fees and commissions, in addition to stopping the collection of fees and commissions for specific periods on the occasion of the Arab Financial Inclusion Day, which may extend to three months.

Fifteenth: Contracts with others

No.	Contracts with others
1	Mobile Banking system operating contract with ICSFS
2	CBS credit information system sale contract with ICSFS
3	Credit system contract via CBS online service with ICSFS
4	World Check contracts for Global Sanctions Lists with REFINITIV
5	RBA Risk Rating System
6	A contract for managing and issuing VISA cards with the Arab Payments Services (APS)
7	Laser fiche electronic archiving system with IBTS
8	Security protection contract with Janat Al Iraq Co. for guarding and protection - Kirkuk branch
9	Security protection contract MANAGER Co. for security and protection company - Erbil branch
10	FATCA service contract with Prototype
11	Contract with the Regional Institution for Arab Payments Clearing and Settlement - Buna Platform
12	Mashreq Company Contract - Internet Services
13	Computer auditing and reviewing contract with auditors HIAM MAHMOUD KHALIL, ABDULHUSSEIN ABDULAZIM NOUR
14	Credit Rating Contract with CAPITAL INTELLIGENCE

Sixteenth: Conflicts of interest associated with members of the Board of Directors

No member of the bank's Board of Directors has an interest whether directly or indirectly in the business and contracts concluded for the bank's account in accordance with the controls and instructions.

Seventeenth: Financial Inclusion

The Board was keen to implement the principle of financial inclusion by setting policies and procedures to facilitate the procedures for banking transactions in all its forms and approving the provision of various financial services with mitigating procedures to all segments of society, whether they were institutions or individuals to manage their money and savings in a safe and sound manner through legitimate channels, at reasonable prices for all, and easy to obtain, in a way that guarantees not resorting to other means that are not subject to any control or supervision.

The bank seeks to gain the confidence of customers, especially the employees of state departments, and to settle their salaries in implementation of the instructions of the Central Bank, which allows the employee many possibilities such as shortening the time, effort and cost in various financial transactions and reducing dealing with cash and its risks.



The Board of Directors seeks to popularize the concept of financial inclusion by using modern electronic payment systems for the purpose of achieving economic growth and sustainable development goals for consumer protection, financing of medium and small projects, and the provision of financial products. Among the advantages of financial inclusion are the following:

1. Create a database for each market.
2. Reduces the process of dealing with banknotes which creates safety.
3. Reduces the process of corruption and bribery.
4. Introducing the informal market to the banking sector.
5. Salary settlement of employees.

Eighteenth: Accounting Policies

The bank adopts the accrual principle in its accounting policy, whether by recording revenues and expenses or in preparing the final accounts. Our bank also applies the financial accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, and the international financial reporting standards issued by the International Accounting Standards Board as a basis for classifying accounts, organizing records, preparing data and statements, and organizing them according to the provisions of the laws and instructions in force.

Nineteenth: Significant changes and events subsequent to the date of the financial statements

1. The deposit was released for the Arab Exchange Company class (A), according to the Central Bank of Iraq's letter No. 9/5/4640 dated 22/02/2022 and the company's expenses disbursed by the bank were liquidated in the account of prepaid expenses 1663.
2. The International Credit Rating Agency (CAPITAL INTELLIGENCE) was contracted for the purpose of the bank's credit rating for the years 2021-2023.
3. Metal Line paid an amount of 2,300 Million IQD on 26/04/2022.

Twentieth: Acknowledgment of responsibility

1. The Board of Directors bears responsibility for the accuracy and adequacy of the bank's financial statements and the information therein, and for the adequacy of the Internal Audit and control systems.
2. The Board of Directors is responsible for implementing good corporate governance policies and practices and the Corporate Governance Guide issued by the Central Bank of Iraq.
3. The board of directors and the executive management are committed to applying the full set of international financial reporting standards, and to comply with the preparation of financial reports in accordance with the latest set of accounting standards and the development of financial statements.
4. The Board of Directors and the Executive Management are committed to all laws, instructions, and controls issued by the Central Bank of Iraq .
5. The Board of Directors bears the responsibility for the safety of all activities, operations and procedures of the bank, including its financial conditions and reputation, and the responsibility for implementing the requirements of the Central Bank, as well as the requirements of the supervisory authorities and other regulatory bodies related to its work, taking into account the "Shareholders" and that the bank is managed within the framework of legislation. And within the borders of internal policies of the bank, and that effective control is constantly available on the activities of the bank.



In conclusion, the Board of Directors extends its highest thanks and gratitude to the bank's shareholders and employees who have devoted themselves to the continuity of the work of this bank, and to the management of the Central Bank of Iraq for its sponsorship of the banking family that contributed to the development of the banking sector.

Wishing everyone good luck

(Signed)
DURAID YASEEN HAMDAN
CEO

(Seal of)
Arabia Islamic Bank
Board of Directors

(Signed)
AHMED ABDULMAJEED JOMA
Chairman of the BOD

(Signed and Seal of)
HIAM MAHMOUD KHALIL
Chartered Accountant and Auditor

(Signed and Seal of)
ABDULHUSSEIN ABDULAZIM NOUR
Chartered Accountant, Auditor and Economist and
Banking Expert

**Annual Corporate Governance
Report for the Fiscal Year
Ending on 31\12\2021**



Annual Corporate Governance Report for the fiscal year ending on 31/12/2021
Governance Committee Chairman's Address

Dear Shareholders,

Out of our awareness of the importance of applying the best practices of good governance, our commitment to the requirements of the Corporate Governance Guide issued by the Central Bank of Iraq and our keenness to adopt the highest standards of good governance and apply the best practices followed in international financial institutions in order to enhance our management approach stemming from our belief that setting sound frameworks Corporate governance is an essential basis for long-term strategic and development planning processes.

Introduction

Governance is an integrated and comprehensive approach to organizing the work environment, developing business, implementing operations and setting internal control procedures, as our bank believes that the application of standards and practices of good governance would make a fundamental difference as it affects how to prepare and evaluate strategic goals, monitor risks and ways to develop performance and the long-term success and sustainability of any institution.

Governance Framework

Governance aims to determine the nature of the relationship between the bank's Board of Directors and the executive management, which leads to the protection of the funds of depositors, shareholders and stakeholders, in addition to focusing on disclosure and transparency. From this point of view, the Bank's Corporate Governance Guide has been prepared in line with internationally recognized best practices, based on the relevant Iraqi laws and international standards issued by international institutions and bodies.

Governance Committee Formation

The Corporate Governance Committee was formed based on the minutes of the Board of Directors meeting held in its second session on 7/8/2021. Administration .

No.	Name	Position	Membership
1	AHMED ABDULMAJEED JOMA	Chairman of BOD	President
2	HAIDER AKRAM MOHAMMAD ALI	Member of BOD	Member
3	BAKR RAAD ALI	Member of BOD	Member
4	SABIH QASSEM AHMED	Undersecretary of BOD	Committee Rapporteur

Objectives of the Corporate Governance Committee

The Governance Committee aims to achieve (transparency, accountability, responsibility, equality) through the following:

1. Determine the bank's strategy.
2. Management of the bank's risk system.
3. Bank business and operations.
4. The balance between commitment to responsibility towards shareholders, protecting the interests of depositors, and taking into account the interests of other stakeholders.



5. The bank's compliance with applicable laws, instructions, and controls.
6. Disclosure and transparency practices.

Duties and Responsibilities of the Governance Committee

1. The committee sets a general framework for the foundations of corporate governance in the bank and the approved policies and procedures for this, and policies and procedures are submitted to the Board of Directors for approval. The committee also reviews these policies and procedures and suggests amending them if necessary at least once a year, and these policies and procedures must be compatible with the provisions of the Governance Guide, all the instructions and regulatory legislation issued by the Central Bank, and the provisions and principles of Islamic Sharia in this regard.
2. The Committee shall coordinate with the Audit Committee and with the Sharia Supervisory Board to ensure compliance with the Guide.
3. Focusing on the specificity of Islamic banking, including protecting the interests of investment account holders in addition to other stakeholders in the bank.
4. The committee reviews and follows up on the bank's disclosure policy and procedures, and proposes any amendments to this policy.
5. The committee reviews the bank's organizational structure and its compliance with governance standards and the independence of the supervisory functions in the bank (Sharia Compliance and Compliance Control Department, AML\ CFT Department, Internal Sharia Control and Audit Department, Risk Management Department) and propose any amendments in this regard.
6. A charter of ethics and code of conducts that govern the work of the Board of Directors, senior executive management and all employees of the bank, provided that the committee reviews these standards at least annually and proposes to amend them if necessary.
7. The committee makes sure that the charters for the work of each of the committees emanating from the Board of Directors are consistent with the corporate governance guide of the bank approved by the board and the instructions issued by the Central Bank of Iraq in this regard.
8. The committee monitors the implementation of the corporate governance guide for the bank, so that it is compatible with the applicable legislation and the corporate governance guide for banks issued by the Central Bank.
9. Ensure that the bank's corporate governance guide is published on its website.
10. Annual review of the disclosure policy and code of conduct and recommending any amendments thereto to the Board of Directors.
11. Ensure that the bank discloses the information of interest to stakeholders and stipulated in the bank's corporate governance guide.
12. Ensuring that all concerned parties, from the Board of Directors to the Executive Management, adhere to the approved corporate governance policy and the Code of Professional Conduct.
13. Ensuring the bank's implementation of corporate governance policies in all its operations and activities.
14. Ensuring the effectiveness of the internal control systems related to monitoring corporate governance in the bank.
15. Make recommendations on the appropriate number for the composition of the Board, including:
 - Forming Board committees and defining their tasks.
 - Handling all matters related to the effective performance of the members of the Board.



16. Conducting review and evaluation on a periodic basis regarding any changes in international and local practices that may have an impact on how the bank operates and manages governance policies, as well as recommending to the Board the introduction of amendments to those practices.
17. Considering issues of non-compliance with governance and recommending to the Board to take measures to resolve them as appropriate.
18. Recommending to the Board for approval of the bank's corporate governance policy.
19. Reporting periodically to the Board of Directors regarding the observations and recommendations of the Committee and any other matters that the Committee deems appropriate or at the request of the Board of Directors.
20. Make an annual report that includes the activities and works that were implemented by the Governance Committee during the previous year.

Committee activities during 2021

1. The Corporate Governance Guide of the Bank has been updated and approved by the Board of Directors.
2. The Corporate Governance Committee's work charter was reviewed and approved by the Board of Directors.
3. The meeting of the Governance Committee was held on 25/07/2021 according to the invitation sent by the Chairman of the Governance Committee (AHMED ABDULMAJEED JOMA) on 18/07/2021, and the Committee began implementing the content of the Central Bank of Iraq's / Banking Control Department / Banks Performance Analysis Risk Control Department letter No. 9/6/95 on 02/03/2020, where the committee decided the following:
 - Re-formation of the scorecard data exchange team from the persons listed below:
 - Mr. AHMED ABDULMAJEED JOMA (Chairman of the Board of Directors).
 - Ms. HUDA ABDULWAHAB HASAN (Head of the Audit Committee).
 - Mr. DURaid YASEEN HAMDAN (CEO).
 - Mr. MUSTAFA ABDUL KARIM OLIWIY (Second Vice CEO).
 - Mr. SAIF QAIS ABDUL KARIM (Internal Sharia Control and Audit Department Manager).
 - Mr. SABIH QASSEM AHMED (Undersecretary of the Board of Directors).
 - The work team was directed to take all necessary measures to implement the aspects of the scorecard.
4. The committee made sure that the bank's management implemented paragraph (2) of Article (3) in the general assembly meeting held on 01/10/2020 by electing (7) members to the Board of Directors (Original Members) and the same as reserve members, according to what was stated in the governance guide.
5. The committee reviewed the minutes of the committees originating from the Board of Directors and the executive management and the observations contained therein, which embodied the tasks and responsibilities of these committees, the recommendations to the board and the executive management, and the extent of follow-up of the activities and operations of the bank, through which it ensures the protection and rights of depositors and shareholders.
6. The committee reviewed the formation of the committees originating from the Board of Directors and the executive management after increasing the original and reserve members of the board.



7. The committee reviewed the updated organizational structure of the bank and it was confirmed that it is in accordance with the requirements of the governance guide and in line with the bank's departments indicated in the organizational structure and the committees originating from the board and the executive management after its approval and sending a copy of it to the Central Bank of Iraq.
8. The committee reviewed the contract signed between the bank and the international credit rating agency (Capital Intelligence) for the purpose of obtaining credit rating for the bank and the extent of application of corporate governance principles.
9. The committee reviewed the plan and methodology for implementing Standard No. (9) (Financial Instruments) and was approved by the Board of Directors according to the instructions of the Central Bank of Iraq.
10. The committee reviewed the updated policies and procedures of the Banking Awareness and Public Protection Department based on the instructions of the Central Bank of Iraq and was approved by the Board of Directors.
11. The committee reviewed the policies and procedures of the Financial Department and made sure that they are within the requirements of the governance guide.
12. The committee reviewed the policies, procedures, regulations, plans and indicators prepared by the committee for the implementation of scorecard requirements, which were approved by the following Board of Directors:
 - 1) Nomination and Remuneration Policy.
 - 2) Institutional performance indicators.
 - 3) Conflict of interest and disclosure policy.
 - 4) Key performance indicators for board members and executive management.
 - 5) Executive management policy.
 - 6) Governance Disclosures Policy.
 - 7) Shareholder policy and dealing with related parties.
 - 8) Job replacement plan for the Board of Directors and executive management.
 - 9) Permissions Matrix List.
 - 10) Board Policy.
 - 11) Sustainability Report.
13. It was confirmed that the scorecard work team has taken the necessary measures and sent the required files on the dates specified for the actual implementation of the first draft of the scorecard for environmental, social and governance standards and according to the Central Bank of Iraq's letter No. 9/6/417 on 18/11/2021.
14. The updated Corporate Governance Guide of the Bank has been confirmed to be published on the Bank's website.
15. It was ensured that awareness of the application of the corporate governance guide was within the bank.
16. It has been ensured that the Code of Ethics and Code of Conducts that govern the work of the Board of Directors, senior executive management and all bank employees have been prepared.
17. It was ensured that the charters of the work of each of the committees originating from the Board of Directors and the executive management are consistent with the updated corporate governance guide for the bank.
18. It was ensured that the Board of Directors supervises the executive management, follows up on its performance, and ensures the soundness of the bank's financial conditions and solvency.



Acknowledgment of responsibility

The Board of Directors bears the responsibility for implementing the bank's corporate governance at all levels, coordinating between the board, the executive management, shareholders and other stakeholders, supervising the executive management, following up on their performance, and approving the bank's plans, including vision and mission, to ensure the implementation of those plans.

In conclusion, we extend our thanks and appreciation to the members of the Corporate Governance Committee and the work team for the first actual implementation of the scorecard project for environmental, social and governance standards.

(Signed)

AHMED ABDULMAJEED JOMA
Chairman of the Board of Directors

(Signed)

HAIDER AKRAM MOHAMMAD ALI
Member

(Signed)

BAKR RAAD ALI
Member

(Seal of)

Corporate Governance Committee

Sharia Supervisory Board





**In the name of Allah, the Most Great, the Most Merciful
Annual report of the Sharia Supervisory Board
For the fiscal year ending on December 31, 2021**

**In the name of Allah, the Most Great, the Most Merciful
Praise be to Allah, Lord of the worlds, and prayers and peace be upon our master Muhammad,
who was sent as a mercy to the worlds, and upon his family and companions.**

May Peace, mercy and blessings of Allah be upon thee,

In accordance with the decision of the Board of Directors of Arabia Islamic Bank to appoint a Sharia supervisory board for the bank, and based on the bank's statute and the assignment letter signed with us, the Sharia Supervisory Board presents to you its annual report for the fiscal year ending on December 31, 2021.

- The Sharia Board has monitored the contracts related to the transactions and agreements entered into by the Bank during 2021 and the principles used in its transactions in order to express an opinion on whether the Bank is committed to the provisions and principles of Islamic Sharia, as well as to the fatwas and guidelines issued by the committee.
- The committee carried out the necessary control by examining the documentation and procedures followed by the bank on the basis of examining each type of operation carried out by the bank. To give reasonable assurance that the bank's transactions did not violate the legal regulations and provisions and the fatwas issued.
- The committee clarified a number of new banking issues and stated the Sharia ruling in them.
- The committee answered all related inquiries presented to it and issued the necessary fatwas.
- The committee monitored the extent of the bank's compliance with the provisions of Islamic Sharia and Islamic Banks Law No. (43) of 2015 and Sharia and accounting standards issued by the Accounting and Auditing Organization for Financial and Islamic Institutions.
- The committee reviewed the reports prepared by the Sharia Control and Audit Department on the activities and operations of the bank, as well as the notes and proposals made by the department and the measures taken by the bank's executive management regarding them.
- The work plan of the Sharia Supervisory Board for the year 2022 has been prepared.
- The committee reviewed the general balance sheet of the bank as it was on 31/12/2021 and the income statement for the period ending on 31/12/2021 and the clarifications about the financial statements as they provide a comprehensive picture of the bank's work, and the committee did not see any legitimate violation of what it reviewed.
- The responsibility of the Sharia Supervisory Board is to express an independent opinion and to state the Sharia ruling in accordance with the rules, provisions and principles of Islamic Sharia, and the responsibility for implementation in accordance with the fatwas and provisions of Islamic Sharia lies with the management of the bank.
- The Sharia Supervisory Board held (6) meetings during 2021, and there are no members who are absent from those meetings.
- In our opinion:
 - The contracts and transactions carried out by the bank during 2021, which we reviewed, were carried out in accordance with Sharia legal regulations and provisions.



- All revenues generated were from sources that comply with Sharia regulations and provisions.
- The responsibility for paying the zakat rests with the shareholders. We do not have any legal comments about it.

**This report was written on Tuesday 10/01/2022 AE
Corresponding to 6 Jumada al-Akhar 1443 AH**

**We ask Allah Almighty to grant us guidance and sound judgment
May Peace, mercy and blessings of Allah be upon thee**

(Signed)

FAROUK SHELTAH MAHDI

Chairman of the Fatwa and Sharia Supervisory Board

(Signed)

AHMED SALEH HUSSEIN

Member

(Signed)

ALI SALIM SALMAN

Member

(Signed)

ABDULQADIR MAHDI SALEH

Member

(Seal of)

**Arabia Islamic Bank
Sharia Supervisory Board**

Annual Report of the Audit Committee



Honorable members of the General Assembly of Arabia Islamic Bank
Sub.\ The annual report of the Audit Committee as on December 31, 2021

Good greetings,

Based on the provisions of Article (24) of the Banking Law No. (94) of 2004 and the Islamic Banks Law No. (43) of 2015 and the instructions issued thereunder, we present below the annual report of the Audit Committee for 2021, where this report briefly included the results of the committee's work in the field of its review of the comprehensive audits of financial transactions for the mentioned period, as follows:

- 1- It was ascertained that the financial statements of Arabia Islamic Bank for 2021 were prepared in accordance with the provisions of the Companies Law No. 21 of 1997, as amended, and the bank has complied with the legislation, regulations and instructions of the Central Bank related to this matter, and we have obtained assurances that the data reflects the financial and clarifications reflect the true financial position of the bank, and it was also ensured that the financial statements for the year 2021 included all the information and clarifications that were necessary in our opinion to protect shareholders, depositors and other stakeholders and were prepared in accordance with the relevant applicable legislation, regulations and instructions of applicable standards of financial accounting issued by the Accounting and Auditing Organization for Islamic Financial Institutions, and international financial reporting standards issued by the International Accounting Standards Board, and that our bank has taken several measures to acquire a specialized electronic system in order to implement International Standard No. (9) during 2019 and the quantitative effect has been sent to the Central Bank in accordance to the instructions of the Central Bank letter No. M/3/559 on 27/07/2020 as mentioned in our previous reports.
- 2- The bank's financial indicators were reviewed and it was found that they reflect the soundness and solidity of the bank's financial position, as the liquidity ratio reached 666%, while the minimum standard ratio was 30%, and the capital adequacy ratio reached 829%, while the minimum standard ratio is 12%, the LCR liquidity coverage ratio is 1617%, and the net stable funding NSFR is 1223%, while the minimum standard ratio is 100%.
- 3- It was ensured that the accounting system, the information systems, the bookkeeping, and the records used are consistent with the bookkeeping requirements, as they included, at our discretion, the recording of all assets, liabilities, uses and resources, and that it enables the bank to prepare sound financial statements and that the formed reports are characterized as accuracy, reliability and clarity in accordance with the provisions of Islamic Sharia and the regulations and instructions issued by the supervisory bodies.
- 4- It was confirmed that the Internal Sharia Control and Audit Department, along with the auditors, carried out the inventory of fixed, cash and assets and that it was carried out properly and that the results of the inventory matched the auxiliary records and that the evaluation process was carried out in accordance with the accounting principles and standards.
- 5- The bank's internal audit plan for 2021 was reviewed, and it was found to be sufficient and comprehensive, and the audit results of the Internal Sharia Control and Audit Department were reviewed during 2021 on the bank's departments, banking activities, various units and branches,



and it was confirmed that they were carried out according to the approved annual audit plan. Bearing in mind that the audit results showed the soundness of banking operations and that they were in accordance with the policies and procedures approved by the Board of Directors and that they do not expose the bank to high risks.

- 6- The committee also reviewed the internal control and auditing systems in the bank and ensured their adequacy and safety.
- 7- The scope, results, and adequacy of the bank's external audit were also reviewed, and the committee made sure that it is comprehensive and covers all activities and risks to which the bank is exposed. The quarterly reports of the financial position sent to the Central Bank were also reviewed.

**In conclusion, we would like to thank all those present
You have the utmost respect and appreciation**

(Signed)

Head of the audit committee
HUDA ABDULWAHAB HASAN

(Seal of)
Arabia Islamic Bank
Audit Committee

Independent Auditors Report



No.: 4\B\22

Date: 20\04\2022

Gentlemen \ shareholders of Arabia Islamic Bank,

Sub.\ Independent auditors' report for the financial statements of Arabia Islamic Bank for the fiscal year ending on 31\12\2021

Opinion:

We have audited the financial statements of Arabia Islamic Bank, which include:

A statement of the financial position as on December 31, 2021, a statement of profits and losses and other comprehensive income, a statement of changes in equity, a statement of cash flow for the year ending on the same date, and the notes on the data on the financial statements, including a summary of important accounting policies.

Our opinion:

Taking into account the audit results shown later in this report, the bank's financial statements present fairly, in all material respects, the bank's financial position as on December 31, 2021, and its financial performance and cash flows for the year ending on the same date in accordance with the financial accounting standards issued by the Accounting Authority and Auditing for Islamic financial institutions and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

Basis of opinion:

An audit has been carried out based on the auditing standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the international auditing standards issued by the International Association of Accountants, and our responsibility under these standards has been explained later in the section on the auditor's responsibilities for an audit of the financial statements in this report.

We are independent of the Bank in accordance with the ethical requirements relevant to the audit of the financial statements contained in the Code of Professional Conduct, and we have fulfilled our responsibility under those requirements.

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

Significant audit findings:

Our audit results showed the following clarifications and observations:

1. International Standards:

- A. The general budget and final accounts were prepared and organized starting from 2016 to 2021 in accordance with International Financial Reporting Standards (IFRS) and organized in accordance with Islamic Finance Accounting Standards (AAOIFI).
- B. The bank did not prepare interim financial reports during 2021 based on International Accounting Standard No. (34) and International Auditing Standard No. (2410) and the instructions of the Central

Bank of Iraq in accordance with Article (23) the disclosure in paragraph (4) of the same article according to Corporate Governance Guide for banks.

C. International Standard No. (16) regarding calculating the liability of the bank's leased buildings has not been applied, which are (3) buildings (The Main Branch, Al-Rasheed Branch and Erbil Branch).

D. Real estate price appraisal:

- I. In accordance with International Accounting Standard No. 36, an evaluation of the real estate prices belonging to the bank was carried out for each of (Head Office 172/325 and Al-Jazeera Company No. 4/384) according to the Central Bank's letter No. 9/3/26656 on 20/12/2021, which shows the need to complete the registration process for real estate No. 4/384 (Al-Jazeera Company) which belongs to the bank.
- II. According to the Central Bank's letter No. 9/3/16878 on 25/08/2021, the real estate appraisal amount was fixed at market value by the evaluation committee formed in the Central Bank, as shown below:

Property No.	Market Value (Thousands IQD)	Purchase Price (Thousands IQD)	Differences (Thousand IQD)	Notes
325\172	10,000,000	10,000,000	-----	-----
384\4	11,000,000	11,000,000	-----	-----
2400\58	1,512,000	970,000	542,000	Increase in fair value
112\125	995,000	1,100,000	(105,000)	Decrease

III. Which requires making the accounting entries as mentioned above in paragraph (2) during the year 2022.

E. Standard No. (16):

The Head Office building and the Main branch, in addition to the other new leased branches, were paid expenses renewal and constructing new halls since 2016. We recommend the necessity of organizing lease contracts (more than one year) for the purposes of implementing Standard No. (16) and showing this within calculating the right to use the leased assets in the statement of financial position.

F. Standard No. (9):

- 1) International Financial Reporting Standard No. (9) IFRS was applied in 2019 according to the instructions of the Central Bank of Iraq issued in accordance with the letter of the Banking Control Department No. (9/6/466) dated 26/12/2018 with the help of a consulting company and according to the agreement concluded with them, and the quantitative effect of the standard was sent to the Central Bank of Iraq according to the bank's letter No. (559) on 27/07/2020.
- 2) The bank's management has calculated the provision for financing risks in accordance with the guiding regulations and Standard No. (9) as follows:

Year	According to the guideline (Thousand IQD)	According to Standard No. (9) (Thousand IQD)
2019	1,313,963	1,729,748
2020	1,616,985	1,559,559
2021	1,650,763	1,393,675

From the results of the above table, it is clear that there is a decrease in the calculation of Standard No. (9) from the calculation according to the indicative regulation, so we have a reservation about the calculation process due to the presence of some stumbling with customers.

2. **Cash balance:**

- A. The balance of cash in safes and with the Central Bank amounted to (174,634) Million IQD as on 31/12/2021, which is less than the balance of the previous year by (32) Billion IQD, and the reason for the decline is mostly due to the decrease in customer deposits.

- B. Cash at the Central Bank amounted to (159) Billion IQD, which constitutes 85% of the total cash, which indicates the presence of effective liquidity.
- C. The Liquidity Coverage Ratio (LCR) reached 1617%, the Net Stable Funding (NSFR) was 1223%, and the liquidity of Islamic banks after weighting was (666%), which is more than the rates specified by the Central Bank, which were set by (100 %, 100% and 30%) respectively, and that the surplus of this liquidity indicates the lack of optimal use of the financial resources available to the bank, which requires searching for operational lines to maximize resources.

3. Correspondent banks:

- A. The cash balance with foreign banks amounted to (11,929) Million IQD as on 31/12/2021, which is less than the balance of the previous year by (87) Billion IQD.
- B. The ratio of debt balances with correspondent banks abroad to the capital and sound reserves is a about (5%), which is within the limits of (20%) specified by the Central Bank of Iraq according to their letter No. 9/2/5228 dated 17/03/2021.

4. Investments:

- A. The balance of investments amounted to (60,970) Million IQD as on 31/12/2021, which is more than the balance of the previous year by (98.6%). The reason for the increase is due to the transfer of Musharaka and Mudaraba accounts to the investment account, which amounted to about (46,300) Million IQD in accordance to the instructions of the Central Bank of Iraq.
- B. We were not aware of the presence of field visits by the bank's management to the sites of projects granted. (2) Musharaka projects and (1) Mudaraba project, totaling (46) Billion IQD to verify the use of the bank's funds and the percentage of completion, except for one project.
- C. The Mudaraba amount of (7,300) Million IQD granted to the company (Metal Line General Trading) has not been paid despite the due date ending on 08/02/2021, and therefore it is considered as a bad debt, note that the bank has a solid property guarantee.
- D. The loss of both the Arabian Horse Company and the Arabia Leasing Company amounted to (153) Million IQD, due to the liquidation of these companies, despite the fact that they have not practiced any activity since their establishment due to the lack of economic feasibility for their existence.
- E. The ratio of the investment to the capital amounted to (24%) in contrast to the permissible percentage (20%), and the difference was not calculated as a provision according to the Central Bank's letter No. (9/6/219) on 23/08/2020, which granted a period Three years for old Musharaka.

Although the total invested amounts amounted to (61) Billion IQD, we noticed the lack of revenues, which indicates the lack of proper planning for investments, as some Musharaka are due after (20) years. Thus, we recommend not to enter into granting long-term Musharaka in order to maintain continuous annual cash returns to avoid losses and maximize annual resources.

5. Islamic financing:

Islamic finances amounted to (431) Million IQD as on 31/12/2021, which is less than the balance of the previous year by (47) Billion IQD, the reason for the increase is due to the transfer of Musharaka and Mudaraba accounts to the investment account in accordance to the instructions of the Central Bank of Iraq. The revenues amounted to (29) Million IQD, which in our opinion is below the required level.

6. Pledge Credit:

- A. The pledge credit balance amounted to (2,131,400) Thousand IQD as on 31/12/2021 before deducting the insurances, and it represents the value of the internal letters of guarantee, noting that the bank has not practiced this activity effectively since its establishment in 2016 and the bank has not practiced the activity of documentary credits.
- B. The insurance balance for letters of guarantee amounted to (2,131,400) Thousand IQD, which constitutes (100%) of the value of the letters of credit.

C. It can be concluded from the above two paragraphs that the bank has practiced undertaking credit activity at a rate of less than (1%) and that the permissible percentage is (200%) of the capital. Thus, we recommend that more importance be given to this banking activity in the future to maximize revenues.

7. Fixed and intangible assets:

- A. The balance of fixed assets (Net) amounted to (1,220) Million IQD as of 31/12/2021 and includes additions during the year amounting to (134) Million IQD, and additions to furniture and office equipment include (82) Million IQD, most of which belong to electronic accounts, and the validity of all purchases was verified.
- B. The balance of net intangible assets amounted to (160) Million IQD as on 31/12/2021, and the additions during the year amounted to (112) Million IQD, including risk rating systems, credit inquiry and laserfiche archiving system.

8. Undergoing projects:

- A. The balance of the above account amounted to (8) Billion IQD as on 31/12/2021.
- B. The majority of the undergoing projects balance include the cost of the contract to construct a building for the Head Office and the main branch in Baghdad, Al-Jadriya District. The construction contract with the (First Step Group Company) was examined, noting that the date of completion of the building's handover ends on 15/10/2019.
- C. In view of the completion of the building during 2021, which requires closing the above account and reclassifying it on the account of fixed assets\ buildings, in addition to changing the nature of the property in the real estate certificate from lands to constructed buildings.

9. Other Assets:

The above account balance of (748) Million IQD, most of it includes the following:

- A. An amount of (438) Million IQD represents the theft of a sum of cash that has been suspended for previous years, so we recommend that after exhausting the legal procedures, taking legal approvals and taking fundamental approvals to write off the debt.
- B. An amount of (230) Million IQD represents expenses paid in advance to (9) parties, and the validity of these expenses has been verified by us.

10. Bank deposits:

The balance of the bank deposits account amounted to (6) Billion IQD as on 31/12/2021, and it relates to the deposit of the First Iraqi Islamic Bank, and this balance has decreased by (24) Billion IQD from the balance of the previous year after transferring it to the current account with the Central Bank of Iraq, according to the request of the First Iraqi Islamic Bank.

11. Credit current accounts and deposits:

- A. The balance of this account amounted to (12) Billion IQD as on 31/12/2021, which is less than the balance of the previous year by (44) Billion IQD, due to the decrease in the balances of the credit current account balances in the corporate sector.
- B. The percentage of current accounts reached (91.9%) of the total balance of current accounts and deposits, while the percentage of savings accounts constituted less than (4%) of the total balance of current accounts and deposits.
- C. The percentage of basic deposits (savings) is less than (1%) of the total liabilities (except for property rights), which is less than the permissible percentage specified at (30%) according to the instructions of the Central Bank of Iraq according to their letter of number (9/3/80) on 20/02/2019.
- D. The bank is required to take the appropriate steps to attract customers and encourage them to save, increase competitiveness and attract more deposits, in implementation of the financial inclusion

instructions issued by the Central Bank of Iraq according to their letter numbered 9/3/80 on 20/02/2019 to avoid the risks of non-essential deposits.

12. Loans received:

- A. The balance of the received loans amounted to (351,665) Thousand IQD as on 31/12/2021, which is less by (146,668) Million IQD than the balance of the previous year, and we believe that this activity is below the required level.
- B. The loans received from the Central Bank of Iraq for the activity of supporting small and medium enterprises constitute (1.6%) of the total liabilities.

13. Capital Adequacy:

The capital adequacy ratio reached (829%), which is higher than the percentage specified in accordance with the decisions of Basel and the ratios approved by the Central Bank of Iraq. The reason for this is due to the decrease in the weighted assets within the balance sheet and the contingent assets outside the balance sheet.

14. Foreign currency sale and purchase window:

In accordance to the letter of the Central Bank of Iraq, the Banking Control Department, number (184) on 01/05/2019, and the letter numbered (9/T/23448) on 10/10/2019. Purchases in USD from the foreign currency buying and selling window amounted to (1,022,965,000) USD, and the bank achieved a revenue of (991,432,500) IQD, according to what is shown in the statement below. And we have a reservation about the low revenues generated, and the administration has shown us that the reason for this is due to the supply and demand market, in addition to the high price of the USD against the IQD during the month of December 2020:

Category name	Purchases (USD)	Realized revenue (IQD)
Foreign transfers	1,004,115,000	962,807,500
Cash (bank customers)	9,650,000	19,425,000
Cash (banking companies)	9,200,000	9,200,000
Total	1,022,965,000	991,432,500

15. Annual activity results:

- A. The bank achieved an annual loss of (2,909) Million IQD for the year ending on 31/12/2021, noting that the result of the activity for the previous year amounted to a profit of (358) Million IQD.
- B. The reason for the loss is mostly due to the failure to practice banking operations on a large scale (quantitative and qualitative) and the lack of a wise plan to manage investments in a way that achieves annual returns in the short term.
- C. We recommend the necessity of activating banking activities, searching for operational lines, investing money and granting Islamic financing of all kinds (Murabaha, Mudaraba, Musharaka, Parallel Salam, Ijarah, Istisna, and issuing an Islamic deposit certificate according to the initiative of the Central Bank of Iraq). And the bank's credit plan was reviewed, which shows that appropriate steps have been taken for the purpose of granting Islamic finance and improving its banking activity in subsequent years.

16. Endorsements of debit and credit balances:

We reviewed the documents and statements of debit and credit balances, but it requires sending confirmation letters in the future.

17. Legal case:

- A. Legal cases filed by the bank against third parties was one case amount of (438,000) Thousand IQD.
- B. There are no lawsuits filed against third parties by a bank according to the letter of the legal department.

18. The strategic plan of the bank and the extent of its implementation:

Based on paragraph (17) of the letter of the Central Bank of Iraq / Islamic Banks Control Department, number 9/3/34 on 23/01/2022, the strategic plan was prepared by the bank, and the deviations were as shown in the table below, which requires commitment to implement plans for the future.

Account Name	Planned Million IQD	Actual Million IQD	Deviation (%)
Financial Position	332,063	268,101	19 %
Revenues	3,739	1,306	65 %
Expenses	2,337	4,215	81 %
profit or loss	1,401	(2,909)	2909 %

19. Central Bank of Iraq Correspondence and Audit Results:

By informing us of the bank's answers to the correspondences of the Central Bank of Iraq related to monitoring the work and results of auditing the data and the monthly, periodic, quarterly and annual reports prepared by the bank and sent to it, the bank's commitment to the observations related to monitoring the work of the audit results, answering and implementing them, and continuing to adhere to it, and that all the data sent to the Central Bank of Iraq are identical to the bank's records.

20. Quarterly Reports:

We noted the bank's commitment to send quarterly reports to the Central Bank of Iraq, and upon examining these reports, it was found that they are in accordance with the required level and are as follows:

- ***Sharia Compliance and Compliance Monitoring Reports:***

Provides regulatory information about the bank and indicates the extent of the Board of Directors' commitment to adopting a Sharia audit charter, adopting internal control and control systems, discussing and approving annual plans, and adopting a clear compliance policy to ensure compliance with the regulatory framework and legislation and all the Central Bank's instructions in this regard and the disclosures specified in International Financial Reporting Standards, and it provides a picture of the bank's activity and the extent of compliance with policies, legislation, regulations and laws.

- ***Risk Management Department Reports:***

The department's reports show the appropriate procedures to activate the risk system and its management, the strategic objectives of the institutions and to achieve a return for the stakeholders. In its risk management, the bank relies on the methodology of identifying risks and spreading a culture of risk management at all functional levels in the bank, and with the aim of facing the main types of risks facing the banking activity, the bank has taken measures to reduce the impact of those risks, which are (credit risk, market risk, liquidity risk, operational risk, non-compliance risk) and activate a classification system for risks and stress tests according to approved scenarios.

- ***Internal Control and Sharia Audit Department Reports:***

A. The department performs the audit activity in accordance with policies, programs, audit charter and annual work plan approved by the Board of Directors, and ensures the commitment of the bank's departments to carry out business in accordance with the established policies. And it requires strengthening the departments with expert employees.

B. Not adopting a comprehensive electronic audit program for all departments of the bank, which requires avoiding this and conducting field visits and documentary auditing of data, financial accounts and all expenses, which helps in implementing the plans and objectives of the bank and auditing all activities of the bank in a risk-based audit method.

- C. We also recommend that the internal control reports be more comprehensive and prepared in accordance with the principle of disclosure, transparency, objectivity, follow-up and audit of systems, electronic services and advisory services.
- D. The audit reports were prepared in accordance with item (9-2-2) of the internal audit of the international standards (ISO 9001:2015), which refers to the adoption of a form that includes paragraphs (area, audit indicator, observations, type, corrective action). and its time).

• **AML \ CFT Department:**

According to paragraph (3 Z of Article 2) of the controls issued by the Central Bank of Iraq letter No. 9/1/4/306 on 19/09/2016, a report is prepared for the bank's activity in combating money laundering and terrorism financing, the achievements and periodic business. Moreover, in reference to the letter of the Central Bank of Iraq / Department of Banking Control No. 9/2/5228 on 17/03/2021, paragraph 11 of the letter according to which the auditor is required to indicate whether the bank has taken adequate measures to prevent Money Laundering and Terrorism Financing According to the regulations issued by the Anti-Money Laundering and Terrorist Financing Office No. 2/1/T.H/Circulation No. 2 on 17/06/2019 we would like to state the following:

- A. The Board of Directors is committed to adopting internal policies, procedures and controls that are compatible with the nature of banking activity and the Anti-Money Laundering and Terrorism Financing Law No. (39) of 2015.
- B. The existence of policies established by the bank's management in the areas of combating Money Laundering and Terrorism Financing, preparing periodic reports and procedures for amendments to policies or internal systems, adopting modern systems and implementing the outputs of automated systems (World check, sanction screening, AML system) to verify all daily operations of customers and classify customers according to the degree of their risks, and that this system provides reports and alerts for every banking operation that takes place during the working day, and the lists of banned persons and politicians are updated periodically.
- C. We noticed the bank's interest in collecting information about its customers (Individuals or companies) and filling out the Know Your Customer (KYC) form.
- D. There is an interest on the part of the bank's management in training and developing human resources, gaining experience and improving performance through the participation of bank employees in a training program and workshops.
- E. These reports include data and according to the following table, the necessary actions have been taken in this regard by the Manager of AML\CFT Department:

No.	Data	Total Number
1	The number of open investigations	--
2	Suspicion reports sent to AML\ CFT Office	2
3	Fraud Complaints	--
4	Reports sent to Western Union Company	--

21. Corporate governance, Board of Directors report and scorecard:

- A. Seven meetings of the Board of Directors were held during 2021 and they are within the minimum number specified under Companies Law No. (21) of 1997, as amended.
- B. Because of the importance of corporate governance as one of the requirements for rational management in an organization, the bank believes in adopting corporate governance that helps in achieving strategic goals and managing the bank's operations.
- C. We have noticed that the Board of Directors draws a special attention to the implementation of the Corporate Governance Guide issued by the Central Bank of Iraq on 03/02/2020.

- D. Among the committees emanating from the Board of Directors is the Corporate Governance Committee, which is responsible for monitoring and supervising the preparation of corporate governance for the bank in line with the Governance Manual and relevant laws. As well as the adherence to the principles and instructions of corporate governance, and follow-up and development of branches and departments in light of developments that may occur in the Governance Guide.
- E. A policy of disclosure and transparency has been prepared, which is the basis that creates confidence among shareholders, depositors, debtors, stakeholders and participants.
- F. The bank's management has answered the indicators of the experimental balanced scorecard for the previous year, and the indicators of the scorecard for the current year 2021 have also been answered through the electronic link prepared by the Central Bank.

22. The internal report:

An internal report (Management Letter) No. 36 was issued by us on 01/11/2021, and the comments contained therein were discussed with the bank's management.

23. Subsequent events:

- A. The deposit was released to Arabia Exchange Company according to the Central Bank letter No. 9/5/4640 on 22/02/2022 and the expenses of Arabia Exchange Company were disbursed by the bank were settled in the account of expenses paid in advance 1663.
- B. A contract was signed with the international agency for credit rating (Capital Intelligence) on 30/11/2021 for the purpose of obtaining credit rating for the bank.
- C. It was found by looking at the balance sheet submitted to us by the bank's management on 31/03/2022, which showed a loss of 417 Million IQD during the first quarter of the following year.
- D. Metal Line Company paid an amount of 2,300 Million IQD as on 26/04/2022.

24. Disclosure of professional wages:

According to the controls of the Audit and Monitoring Profession Council in Iraq, the professional wages of the auditors amounted to (50) Million IQD, as shown by the statement of operating expenses for 2021.

Other information:

Management is responsible for the other information included in its annual report, and our opinion on the financial statements does not cover this information and we do not give any form of assurance or conclusion about it.

In connection with our audit of the financial statements, our responsibility is to read the other information as it becomes available to us, to consider whether the other information is materially inconsistent with the financial statements or information obtained during our audit appears to be materially misstated.

Responsibilities of management and those responsible for governance for the financial statements:

The management is responsible for preparing the financial statements in accordance with the requirements of the law and international financial reporting standards, and for the internal control that the management deems necessary to enable the preparation of the financial statements so that they are free from material misstatements, whether they occur due to manipulation, fraud or errors.

In preparing the financial statements, the management is responsible for evaluating the bank's ability to continue as a going concern, and to disclose, when necessary, issues related to going concern and the use of the going concern basis in accounting unless the management tends to liquidate the bank or end its operations, or when there is no other realistic alternative to do that.

Also, those responsible for governance are responsible for the supervision and follow-up of the financial reporting processes.

The auditor's responsibility for the audit of the financial statements:

Our objectives are to obtain reasonable assurance about whether the financial statements in general are free from material misstatement, whether due to fraud, deception or error, and to issue an audit report that includes our opinion.

Reasonable certainty is a high level of certainty, but it does not guarantee that the audit carried out by us in accordance with International Auditing Standards will always lead to the detection of significant misstatements when they exist. A misstatement that may arise from manipulation, fraud or error is considered significant if it could reasonably be expected, individually or collectively, to affect the economic decisions of the beneficiaries taken on the basis of those financial statements.

Other requirements:

In addition to the above, we would like to make the following observations to fulfill the legal requirements adopted in Iraq:

1. The accounting system used by the bank (banks), included, in our opinion, the recording of all the assets, liabilities, expenses and revenues of the bank, and the internal control system included the necessary procedures to ensure the accuracy of these data.
2. The book group used by the bank and the manual records are in accordance with the requirements of the bookkeeping system, and it included the assets, liabilities, the bank's resources and the uses of these resources.
3. The process of inventorying fixed and cash assets was carried out properly, and the results of this inventory were identical to the records, and these assets were evaluated according to the approved accounting principles and ethics.
4. The annual report of the management and the financial and accounting information included in it reflect the viewpoint of the bank's management.
5. The financial statements have been organized in accordance with financial accounting standards, international financial reporting standards, and applicable laws and regulations, and they are fully consistent with what the records show.

With respect

(Signed)

HIAM MAHMOUD KHALIL
Chartered Accountant and Auditor

(Signed)

ABDULHUSSEIN ABDULAZIM NOUR ALYASIRI
Chartered Accountant and Auditor

(Seal of)

HIAM MAHMOUD KHALIL
Chartered Accountant and Auditor
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(Seal of)

ABDULHUSSEIN ALYASIRI Office
Chartered Accountant and Auditor

Arabia Islamic Bank (Joint-Stock Company)
Financial Position as at 31/12/2021

In thousand IQD

Discription	Explanation	31\12\2021	2020\12\31
Assets			
Cash and balances with the Central Bank of Iraq	1	174,634,419	142,160,988
Balances with other banks	2	11,929,173	99,373,357
Investments	3	60,970,202	30,699,992
Net Islamic Financing	4	419,766	46,267,110
Other Assets	5	748,937	554,858
Net Fixed Assets	6	11,220,973	12,653,435
Intangible Assets	7	159,824	87,102
Undergoing Projects	8	8,018,250	8,010,585
Total Assets		268,101,544	339,165,407
Liabilities and Equity			
Liabilities			
Banks' deposits	9	6,254,480	30,356,358
customer current deposits	10	12,138,415	56,185,530
Long term loans (Small Projects)	11	351,665	498,333
Cash Insurance	12	2,131,400	1,813,851
Other liabilities	13	149,415	200,385
Provisions	14	621,000	600,651
Total liabilities		21,646,375	89,655,108
Property rights			
Paid Capital	16	250,000,000	250,000,000
Reserves		96,231	96,231
Retained Profit / Loss		(3,641,062)	(585,932)
Total equity		246,455,169	249,510,299
Total liabilities and equity		268,101,544	339,165,407

In adherence to our report numbered (4\B\22) dated (20/04/2022). The attached explanations (1-25) form an integral part of the consolidated Interim Financial Statements.

(Signed)
RANA ABDULKAREEM FAJIR
Accountant

(Signed)
DURAID YASEEN HAMDAN
CEO

(Signed)
AHMED ABDULMAJEED JOMA
Chairman of BOD

(Signed)
ABDULHUSSEIN ABDULAZIM NOUR ALYASIRI
Chartered accountant and auditor

(Signed)
HIAM MAHMOUD KHALIL
Chartered accountant and auditor

Arabia Islamic Bank (Joint-Stock Company)
Statements of Profit\ Losses and Comprehensive Income for the fiscal year ended
at 31/12/2021

In thousand IQD

Discription	Explanation	31/12/2021	31/12/2020
Operations revenue			
Revenue from Islamic financing	16	29,239	36,911
Payable Fees	17-A	361,986	187,660
Deducting: Debtor Fees	17-B	42,985	46,717
Net		319,001	140,943
Profit of selling and purchasing foreign currencies	18	894,280	3,930,298
Miscellaneous bank income	19	20,511	1,379
Total Operation Revenue		1,263,031	4,109,531
Operations Expenses			
Employees' salaries and the like	20	919,449	716,581
Operational expenses	21	967,384	658,652
Depreciations	22	964,390	1,367,165
Taxes and fees	23	131,989	144,067
Cash Commitments Risks		-----	336,800
Exchange Rate Risks		-----	183,000
Other expenses	24	1,036,142	344,951
Total expenses		4,019,353	3,751,216
Net Income before tax		(2,756,322)	358,315
Profit\ Losses of Financial Assets	25	153,458	-----
Net Income after adding Profit\Losses of the Financial Assets		(2,909,780)	358,315
Net Income for the period		(2,909,780)	358,315

Explanation: The Profit\ Losses of Financial Assets Account was included independently in the Profit\ Losses Statement which is due to liquidating the Bank's daughter investment companies.

Arabia Islamic Bank (Joint-Stock Company)
Statement of change in Equity as at 31/12/2021

In Thousands IQD

Discription	Capital	Reserved Capital	Cumulative Surplus	Losses	Total
Opening balance at the beginning of the period	250,000,000	96,231	1,561,318	(2,147,250)	249,510,299
Adding: Current Year Losses				(2,909,780)	(2,909,780)
Deducting: Transactional Settlements	----	----	(28,784)	----	(28,784)
Deducting: Companies' taxes in addition to Calculated Reserves 2019 and 2020	----	----	(116,566)	----	(116,566)
Balance at 31/12/2021	250,000,000	96,231	1,415,968	(5,057,030)	246,455,169

Arabia Islamic Bank (Joint-Stock Company)
Statement of change in equity for the year ended at 31/12/2020

In Thousands IQD

Discription	Capital	Mandatory Reserves	Cumulative Surplus	Losses	Total
Opening balance at the beginning of the period	250,000,000	88,617	1,387,864	(2,326,407)	249,150,074
Addition: Deducting Losses	----	----	----	179,157	179,157
Payment of an additional tax in addition to Calculated Reserves 2019	----	----	28,784	----	28,784
Net profit for the current year	-----	7,614	144,670	-----	152,284
Balance at 31/12/2020	250,000,000	96,231	1,561,318	(2,147,250)	249,510,299

The attached notes (1-25) form part of the consolidated financial statements and should be read with them

Arabia Islamic Bank (Joint-Stock Company)
Statement Cash Flows as at 31/12/2021

In Thousand IQD

Discription	31\12\2021	2020\12\31
Comprehensive income	(2,909,780)	152,284
Adjustment of Non-Cash Items		
Deducting losses	-----	179,157
Depreciation for the current year	964,389	1,367,165
(I) Income after adjustments	(1,945,391)	1,698,606
Changes in Operational Assets and Liabilities		
Decrease/ increase in Islamic financing	45,847,344	17,711,445
Decrease / increase in other assets	(194,079)	(71,398)
Decrease / increase in Bank Deposits	(24,101,878)	-----
Decrease / increase in Customer Deposits	(44,047,115)	(49,312,284)
Decrease / increase in Cash Insurances	317,549	1,526,200
Increase / Decrease in Undergoing Projects	(7,665)	-----
Increase / Decrease in Other Liabilities	(50,970)	92,115
Decrease / Increase in provision	20,275	222,537
(2) Net cash flows in Operational Activities	(22,216,539)	(29,831,385)
Investment activities		
Increase in investments	(30,270,210)	(4,949,992)
Decrease \ Increase in fixed assets	(134,375)	(29,067)
Deducting fixed assets	200	2,967
Decrease / increase in intangible assets	(112,420)	-----
(3) Net Cash Flows from Investment Activities	(30,516,805)	(4,976,092)
Financing Activities		
Loans / Credit	(146,668)	(326,667)
Decrease / Increase in Reserves and differences in tax payments	(145,350)	-----
Net Cash Flows from Financing Activities	(292,018)	(326,667)
Net cash flows (1+2+3+4)	(54,970,753)	(33,435,538)
Cash at the beginning of the year	241,534,345	274,969,883
Cash at the end of the year	186,563,592	241,534,345

The attached notes (1-25) form part of the consolidated financial statements and should be read with them

Explanations Pretaning to the Financial Statements for the fiscal year ended on 31\12\2021

1- General Information:

On 22/10/2015, the General Authority of the United Arab Company for Financial Transfer decided to change the company into an Islamic bank and increase its capital to (250) billion Iraqi dinars, for the purpose of practicing banking and financial activities in accordance with the principles and provisions of Islamic Sharia and Islamic Banking Law No. (43) for the year 2015. The approval of the Central Bank of Iraq was obtained in their letter No. 9847 on 20/06/2016, and the approval of Ministry of Commerce the Companies Registration Department was obtained by virtue of their letter No. 605 on 11/01/2016, and the bank started its banking business on 02\10\2016.

2. Basis of preparation:

2.1 Basis of preparing the financial statements:

The bank's financial statements were prepared in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and in accordance with the local laws in force and the instructions of the Central Bank of Iraq.

- The Iraqi dinar is the currency of displaying the financial statements, which represents the main currency of the bank
- The bank adopted the exchange rate of the Iraqi dinar to the US dollar, according to the instructions of the Central Bank of Iraq, which amounted to (1460) Dianrs to the dollar.

2.2 Judgments and Opinion

The preparation of this summarized consolidated Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, equity, income and expenses, and actual results may differ from those estimates.

In preparing this summarized consolidated Interim Financial Information, the significant judgments made by management when applying the Bank's accounting policies and the main sources of estimating uncertainty were the same as those applied to the audited consolidated financial statements for the year then ended at 31\12\2021.

2.3 Recognition and Initial Measurement

Financial assets and financial liabilities are recognized when an entity of the Bank becomes a party to the contractual provisions of the related instrument.

Financial assets and financial liabilities are initially measured at their estimated value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and other financial liabilities with an estimated value through profit or loss) are added to or deducted from the estimated value of the financial assets or financial liabilities, as appropriate on initial recognition. Recognition of transaction costs directly attributable to the acquisition of financial assets or financial liabilities at the estimated value directly through profit or loss.

2.4 Classification of financial assets

Balances with Central Bank, due from banks and financial institutions, Islamic financial and investment assets, investments in Islamic sukuk, specific items of receivables and other assets that meet the following conditions are subsequently measured at amortized cost minuse impairment

losses and deferred revenues, if any (except for those assets specified at the estimated value). Through profit or loss on initial recognition:

- The assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows;
- The contractual terms of the instrument result on specified dates with cash flows that are only payments of the principal amount and profits on the principal amount outstanding.

All other financial assets are subsequently measured at their estimated value.

3. Business Model Evaluation

The Bank conducts an evaluation of the objectivity of the business model in which the asset is kept at portfolio level, as this better illustrates the way in which the business is managed and information is provided to the management. The information considered includes the following:

- How to evaluate the performance of the portfolio and submit reports on it to the bank's management.
- The risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed.

How business managers are compensated – for example, whether compensation is based on the estimated value of the assets being managed or the contractual cash flows they collect.

With respect to financial assets held for sale or for management whose performance is evaluated on the basis of an estimated value, it is measured at its estimated value through other comprehensive income as it is not held to collect contractual cash flows or to sell the financial assets.

3.1 Evaluation of cash flow characteristics

Contractual cash flow characteristics include the contractual features of an instrument to determine whether it may generate cash flows that are consistent with the underlying financing arrangement.

The contractual cash flows are consistent with the basic financing arrangement if they represent cash flows relating only to payments of principal and profit on the outstanding principal amount.

For the purposes of this assessment, the "Principal Amount" is defined as the estimated value of the financial asset on initial recognition, while the "Profit" is defined as the consideration for the time value of money and the credit risk related to the original outstanding amount during a specified period of time and against costs and other basic financial risks such as (Liquidity Risk), and administrative costs, in addition to the profit rate margin.

When evaluating whether the contractual cash flows represent only payments of principal and profit, the bank takes into account the contractual terms of the instrument, and this includes assessing whether the financial asset includes a contractual condition that changes the timing or value of the contractual cash flows so that the asset does not meet this condition.



1. Cash and Balances with the Central bank of Iraq (CBI):

Discription	In thousand IQD	
	31\12\2021	31\12\2020
Cash in safes/ IQD	1,639,220	30,305,364
Cash in safes / Foreign Currency	13,507,685	36,983,589
Cash with the Central Bank of Iraq	157,199,335	70,473,063
Legal deposits with the Central Bank	2,288,179	4,398,972
Total	174,634,419	142,160,988

2. Cash with Foreign Banks:

Discription	In thousand IQD	
	31\12\2021	31\12\2020
Cash with Foreign Banks	11,929,173	99,373,357
Total	11,929,173	99,373,357

3. Investments:

Discription	In thousand IQD	
	31\12\2021	31\12\2020
Long term Investment (Public Sector)	10,000	-----
Long term Investment (Financial Private Sector)	550,000	-----
Companies long-term Investments (Private sector)	14,999,980	29,949,992
Long-term Investments (Mixed sector)	750,000	750,000
Musharakah Investments (Individuals)	15,000,000	-----
Musharakah Investments (Companies)	24,000,000	-----
Mudarabah Investments (Companies)	7,300,000	-----
Total	62,609,980	30,699,992
Deducting allocations for Musharaka and Mudaraba	1,639,778	-----
	60,970,202	-----

Explanation: Musharaka and Mudaraba Investments were included in the Investment Account in accordance with the letter of the Central Bank of Iraq no. 9/3/222 dated 12/07/2021.

4. Islamic financing:

Details	In thousand IQD	
	31\12\2021	31\12\2020
Granted Financing		
Musharakah Financing / Individuals	-----	15,000,000
Musharakah Financing / Companies	-----	10,000,000
Mudarabah Financing / Companies	-----	22,340,000
Mudarabah Financing / Individuals	430,750	544,094
Total	430,750	47,884,094
Deducting:		
Provision for Musharakah/ Mudarabah Financing	-----	1,606,000
Provision for Sell/ Murabahah Financing	10,984	10,984
Net Direct Credit Facilities	419,766	46,267,110
B - Statement of Financial Position		
Provision for credit impairment (Productive Debt)		
Musharakah/ Mudarabah Transactions		
(1) Opening Balance	1,606,000	1,294,700
Additions during the year *	33,778	311,300
Retriever during the year	-----	-----
Closing balance	0	1,606,000
(2) Murabaha Transactions		
Opening Balance	10,984	10,984
Additions during the year	-----	-----
Retriever during the year	-----	-----
Closing balance	10,984	10,984

Explanation: Musharakah and Mudarabah Investments were included in the Investment Account in accordance with the letter of the Central Bank of Iraq no. 9/3/222 dated 12/07/2021.

5. Other Assets:

Discription	In thousand IQD	
	31\12\2021	31\12\2020
Insurance with Other	1,158	1,601
Affiliate advances	79,466	27,580
Non-current activity receivables	438,000	438,000
Operational fees advances	230,313	87,677
Total	748,937	554,858

6. Fixed assets:

The following table details the tangible fixed assets and their impairments:

In thousand IQD

Statement	Lands	Machinery and Equipment	Means of Transport	Furniture and Fixtures	Improvements Buildings (leased)	Total
Balance as of 31/12/2020	10,000,000	164,101	155,071	884,759	3,580,081	14,784,012
Additions during the year	-----	52,669	-----	81,706	-----	134,375
Reduction	-----	-----	-----	200	-----	200
Balance as at 31/12/2021	10,000,000	216,770	155,071	966,265	3,580,081	14,918,187
Adding current year impairment	-----	34,802	29,310	176,525	684,054	924,691
provision balance 31/12/2021	-----	133,878	137,360	735,949	2,690,027	3,697,214
Book value 31/12/2021	10,000,000	82,892	17,711	230,316	890,054	11,220,973

7. Intangible Assets:

In thousand IQD

Description	31\12\2020	Additions	Depreciation	31\12\2021
Banking systems and software	87,102	112,420	39,698	159,824
Total	87,102	112,420	39,698	159,824

8. Undergoing Projects:

In thousand IQD

Discription	31\12\2021	31\12\2020
Undergoing projects / Buildings and Facilities	8,000,000	8,000,000
Undergoing projects / Systems and programs	18,250	10,585
Total	8,018,250	8,010,585

9. Banks Deposits:

In thousand IQD

Discription	31\12\2021	31\12\2020
Current accounts payable (Financial Sector)	6,254,480	30,356,358
Total	6,254,480	30,356,358



10. Customer Deposits (of Current Nature):

Discription	In thousand IQD	
	31\12\2021	31\12\2020
Current accounts payable Private sector / Companies	8,912,652	52,055,635
Current Accounts Payable Private Sector / Individuals	2,249,947	3,935,358
Savings Accounts	488,096	129,537
Checks in order of	63,500	50,000
Amount received for registration of companies	15,000	15,000
Received deposits	409,220	-----
Total sum	12,138,415	56,185,530

11. Borrowing (SMEs):

Discription	In thousand IQD	
	31\12\2021	31\12\2020
long term loans (SMEs)	351,665	498,333
Total	351,665	498,333

12. Cash Insurance:

Discription	In thousand IQD	
	31\12\2021	31\12\2020
Letter of Guarantee Insurance	2,131,400	1,813,851
Total	2,131,400	1,813,851

13. Other Liabilities:

Discription	In thousand IQD	
	31\12\2021	31\12\2020
Other Liabilities	33,475	54,344
Due Payments	115,940	146,041
Total	149,415	200,385

14. Provisions:

Discription	In thousand IQD	
	31\12\2021	31\12\2020
Provision for Exchange Rate Fluctuations	183,000	183,000
Provision for Liability Risk	-----	33,778
Allocations of Cash Differences	438,000	357,000
Provision for tax	-----	26,873
Total	621,000	600,651

15. Off-Balance Sheet Operations (Possible Commitments and Obligations)

Discription	In thousand IQD	
	31\12\2020	31\12\2021
Local Letters of Guarantee	2,131,400	2,027,258
Total	2,131,400	2,027,258
Deducting: Insurances	2,131,400	1,813,851
Net of Liabilities	0	213,407

16. Income from Islamic Financing:

Discription	In thousand IQD	
	31\12\2020	31\12\2021
Murabaha Realized Income - Individuals	29,239	36,711
Mudaraba Income - Individuals	-----	200
Total	29,239	36,911

17. bank Income and fees:

A. The following table details the income from bank payable fees:

Discription	In thousand IQD	
	31\12\2021	31\12\2020
Local Wire Transfers Fees	1,242	515
Foreign Wire Transfers Fees	139,618	39,772
Westin Union Money Transfer Fees	108,954	67,658
Local Letters of Guarantee Fees	65,051	43,957
Central Bank Fees \SMEs	250	1,365
Other bank Fees	9,912	6,154
Various bank Fees	36,768	14,463
Cheque Books Issuance Fees	164	645
SWIFT Fees	----	13,030
Issuance of Checks in Order of Fees	27	101
Total	361,986	187,660

B – Deducting Bank charges (payable):

Discription	In thousand IQD	
	31\12\2021	31\12\2020
Local Banks\ Bank Fees	39,606	45,173
Foreign Banks \ Bank Fees	2,220	998
Expenses paid by investment accounts \ Savings	1,159	546
Total	42,985	46,717
Net Fees Income and Bank Charges	319,001	140,943

18. Profits of Buying and Selling Foreign Currencies:

Discription	In thousand IQD	
	31\12\2021	31\12\2020
Profit \ Losses from Foreign Transaction	(97,152)	1,257,073
Profit from the Foreign Currency Selling Window	991,432	2,673,225
Total	894,280	3,930,298

19. Miscellaneous Bank Revenue:

Discription	In thousand IQD	
	31\12\2021	31\12\2020
Miscellaneous services Revenue	-----	700
Expenses of Imported Communication	19,559	-----
Bank's Sells and Prints	952	679
Total	20,511	1,379

20. Employees' Salaries and the Like:

The following is a detailed table of the employees' salaries, wages and the like:

Discription	In thousand IQD	
	31\12\2021	31\12\2020
Wages	340,856	330,090
Salaries of Employees not included in Social Security	23,071	17,800
Professional and Technical Provision	136,666	78,791
Family provision	89,674	60,228
Compensatory provision	241,818	150,592
Overtime Wages	502	549
Rewards	16,950	28,004
Contribution to Social Security	40,923	38,877
Total wages of employees in the bank	890,460	704,931
Add other Employees Wages:		
Transfer of employees	2,533	2,450
Transport for training	9,458	1,346
Subsidies for Affiliates	150	
Training	16,848	7,854
Total	919,449	716,581

21. Operational Expenses:

The following is an analytical table of operational general expenses:

Discription	In thousand IQD	
	31\12\2021	31\12\2020
Fuel and oil	28,885	21,580
Supplies & Equipment	28,656	30,972
Stationery	6,734	4,883
Water and electricity	40,336	27,291
Maintenance of buildings and facilities	805	530
Maintenance of machinery and equipment	6,991	6,549
Maintenance of transport	4,760	1,211
Maintenance of furniture and office fixtures	87	250
Maintenance of Software and Programs	119,359	90,724
Research Services and Consulting	19,710	----
Advertising	2,302	205
Publishing and printing	15,205	4,450
Hospitality	7,335	4,785
Celebrations	312	2,168
Rewards for Non-Workers	11,345	8,495
Conferences and Seminars	24,933	29,055
Communications	61,425	82,071
Goods Transportation	145	393
Rent (Buildings and Facilities)	132,159	117,535
Subscription and Affiliation	294,724	127,244
Deposits Insurance Charges	16,491	----
Legal Services	59,451	24,814
Banking Services	6,222	22,245
Auditing Fees	50,137	30,400
Other Auditing Fees	5,900	2,400
Other Service Fees	22,975	18,802
Total	967,384	658,652

22 - Depreciation and Impairments:

Discription	In thousand IQD	
	31\12\2021	31\12\2020
Impairment of machinery and equipment	34,802	31,675
Impairment of Vehicles	29,310	31,014
Impairment of Furniture and office appliances	176,525	174,501
Impairment of Buildings improvements / leased	684,054	946,935
Impairment of intangible assets	39,698	183,040
Total	964,389	1,367,165



23. Taxes and fees:

Discription	31\12\2021	In thousand IQD
		31\12\2020
Taxes and fees	131,989	144,067
Total	131,989	144,067

24. Other Expenses:

Discription	31\12\2021	In thousand IQD
		31\12\2020
Donations	100,000	100,000
Compensation and fines	762,634	150,404
Special service expenses	92,382	93,810
Provision for Cash Differences	81,000	----
Capital Losses	126	737
Total	1,036,292	344,951

25. The Profit\ Losses of Finical Assets

Discription	31\12\2021	31\12\2020
Profit\ Losses of Finical Assets	153,458	----
Total	153,458	----

26. Paid capital:

The announced paid capital is (250,000,000,000) Two Hundred and Fifty Billion Iraqi Dinars.