



Annual report, General Budget and Closing Statements

**For the period starting at 01\01\2020
and ending at 31\12\2020**

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Chairman of BOD Address



-In the name of Allah the Merciful-

Chairman of BOD Address

On my own behalf and on behalf of my fellow Board members, I am pleased 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 year ending on December 31, 2020, including the bank's financial statements, the most prominent achievements that have been achieved and future goals. The report was in line with all laws, regulations, and instructions of supervisory authorities, including the rules of corporate governance regarding disclosure and transparency, and the application of international financial reporting standards.

Our valued shareholders,

It is no secret to anyone the magnitude of the challenges that faced the global economy in general, and the Iraqi economy in particular, in 2020, due to the Corona pandemic, which cast a shadow on the economic and investment conditions, which negatively affected business confidence, investment decisions, and global trade. And these challenges had a direct impact on the slowdown in economic growth in the region, and despite these challenges, our bank was able to overcome most of the obstacles created by this crisis, which enabled us to achieve business continuity, and manage assets and liabilities within the available force and capabilities professionally and efficiently, to raise the level of the bank's services in line with developments in the banking industry. And in order to meet the concept of readiness by providing the service that the customer needs under the conditions of this crisis, as deposits of various kinds were attracted to reach about 86.5 billion dinars. As for the financing services granted to the bank's customers, the bank took two approaches, first of which was the reduction of financing by 28% compared to the previous year, thus Islamic finances reached a net of 46 billion for this year, most of them are secured by solid guarantees, in compliance with the instructions of the Central Bank of Iraq in this regard and to reduce the bank's credit risk. The second approach is to start diversifying financing by starting to gradually reduce participation and focus on granting short and medium-term secured financing in the form of Murabaha and others with fixed terms that generate periodic returns to the bank, in addition to that our bank started practicing various banking services and products, including starting The Central Bank's initiative for loans to small and medium enterprises. Our bank has adopted this approach by reducing the financing granted to customers in compliance with the instructions of the Central Bank. In addition to the Corona pandemic, which negatively affected the bank's profits. Despite that, our bank continued to achieve profits during the past two years 2019 and 2020, even if it was not at the level of the planned ambition due to the changes imposed regionally and globally. However, according to the strategic plan adopted by the Board of Directors for the coming years, we hope that the bank will achieve good growth in the volume of business and excellent profits that will be equal or better than the average of counterpart Iraqi banks.

In the field of banking security, all financial indicators point to the soundness and strength of the bank's financial position, as it maintained strong liquidity and capital adequacy ratios.

In order to upgrade 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 various electronic banking services that cover the needs of customers and contribute to achieving the objectives of financial inclusion, in addition to improving the internal control environment and activating corporate governance procedures and developing the human element, developing electronic systems, and diversifying the composition of banking activities and revenues.

We state our thanks and appreciation to all the bank's employees for the outstanding effort they made during the previous period, and we also state our thanks and appreciation to the Central Bank of Iraq, led by the Governor, as well as to representatives of the Central Bank, representatives of the Companies Registration Department and representatives of the Securities Commission for their attendance at this meeting.

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

(Signed)
AHMED ABDUL MAJID JUMAA
Chairman of BOD



BOD Report

Regarding the bank's activity for the year ended on December 31, 2020

We present to you the comprehensive report of the BOD on the activities and business of the bank for the year ended on 31/12/2020, which was prepared in accordance with the provisions of Articles (117) and (134) of the Companies Law No. (21) of 1997, amended, and the instructions of the Accounting System for Companies No. (1) For the year 1998

First: An introduction to the bank:

- On 5/2/2005, United Arab Company submitted to the Central Bank of Iraq a request for a license to practice money transfer business. The license to practice numbered 9/3/1072 dated 30/06/2005 was obtained from the General Directorate of Banking and Credit Control in the Central Bank of Iraq.
- On 05/01/2008, it was approved to convert the company from a limited company to a private joint stock company and increase its capital to (500,000,000) five hundred million dinars.
- On 22/04/2008, the necessary legal procedures were completed to increase the company's capital from five hundred million dinars to (5) billion dinars, according to the Companies Registration Department letter No. 30154 dated 12/28/2009.
- On 02/02/2012, the necessary legal procedures were completed to increase the company's capital from (5) billion dinars to (15) billion dinars, according to the letter of the Companies Registration Department No. 2547 on 01/02/2012.
- On 09/09/2013, the necessary legal procedures were completed to increase the company's capital from (15) billion dinars to (45) billion dinars, according to the Companies Registration Department letter No. 22929 on 09/09/2013.
- At the end of the year (2015) and for the purpose of transforming the company into an Islamic bank, its capital was increased to (100) billion dinars, as the procedures were completed on 11/01/2016 according to the Companies Registration Department letter No. 605 on 11/01/2016. Accordingly, the United Arab Company for Financial Transfer was transferred to Arabia Islamic Bank according to the Central Bank letter No. 9/3/9846 on 20/6/2016.
- The bank's capital amounted to (250) billion dinars in the general assembly meeting held on 09/09/2016, by offering new shares worth (150) billion Iraqi dinars 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 Registrar Companies according to their letter No. Q/11/2/23339 dated 07/12/2016

Second: Our vision

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

Third: Our 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 institution that will provide competitive returns with a focus on prudent risk management.
- We seek to be the preferred interface 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: Objectives of the Bank:

The bank generally aims to:

- 1) Contributing to the economic development of building Iraq within the framework of the country'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, as well as the relevant Companies's Law,
- 2) Providing the best banking services to its customers inside and outside Iraq.
- 3) Maximizing the return 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 banking activities, including financing international trade through documentary credits, guarantees and foreign transfers.

- The bank's objectives 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. Of which:

- 1) Energy transformation.
- 2) Food production systems.
- 3) Transportation.
- 4) Industry.
- 5) Agriculture.
- 6) Technology.

Where the bank achieved part of the goals set in the reduction of carbon by supporting the agricultural sector by granting Murabaha financing to one of the bank's clients the amount of (15,000,000) fifteen million dinars, and other projects that would reduce carbon emissions will be supported.

Fifth: The General Budget for the year (2020)

1- Assets:

- Total assets within the budget (financial position) at the end of 2020 amounted to (339,165) million dinars, compared to the year 2019 when total assets amounted to (386,619) million dinars.

The following is the composition of the assets:

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 customer deposits at any time. Therefore, banks must always be prepared to provide appropriate liquidity without negatively affecting their activities and objectives. 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 (2020) amounted to about (241,534) dinars, or 71% of the total assets, while the cash balance at the end of the year (2019) amounted to (274,970) million dinars, or 71% of the total assets.

B. Islamic financing represented by Mudaraba and Musharaka:

The cash credit balance (in Mudaraba, Musharaka and Islamic Murabaha for the bank) as at 31/12/2020 amounted to about (46,267) million dinars, or 13.6% of the total assets, and that the bank's management is geared towards further expansion of cash credit. And the undertaking and the addition of new Islamic products.

2- Liabilities and Equity:

- The total deposits of the bank's customers of all kinds amounted to (86,541) million dinars at the end of the year (2020), which constitutes 96.5% of the total liabilities amounting to (89,655) million dinars and 25% of the total liabilities and equity, while at the end of (2019) it amounted to (135,854) million dinars, which constitutes 98.8% of the total liabilities amounting to (137,469) million dinars and 35% of the total liabilities and equity, while the property rights amounted to about (249,510) million dinars, which constitute 73.5% of the total liabilities and property rights.

No.	Liabilities and Equity	Thousand IQD	Percentage
1	Deposits	86,541,888	% 25.5
2	Long term loans	498,333	% 0.1
3	Cash Insurance	1,813,851	% 0.5
4	Other liabilities	200,385	-
5	Allocations	600,651	% 0.1
6	Equity	249,510,299	% 73.5
	Total	339,165,407	%100

Sixth: Bank branches:

- During the years 2019 and 2020, the bank adopted a plan to expand in the next three years by opening new branches for the bank in some Iraqi governorates, where the Erbil branch was opened in 2018 and Kirkuk in 2019 and other branches will be opened during this year and the coming years with the approval of the Central Bank of Iraq. Note that the number of current bank branches is (5), including (3) branches inside Baghdad (Main branch, Rasheed branch, Karrada branch) and two outside Baghdad (Kirkuk and Erbil branches) as shown in the table below:

No.	Branch name	Number and date of approval
1	Head office	-
2	Main Branch	1150/8/9 on 2016/70/27
3	Rasheed Branch	4421/3/9 on 20217/30/23
4	Karrada Branch	84/3/9 on 2018/01/40
5	Kirkuk Branch	14210/3/9 on 2018/06/24
6	Erbil branches	24960/3/9 on 2019/10/29

Seventh: Items of the bank's financial position as on December 31, 2020:

No.	Assets	Thousand IQD	Percentage
1	Cash and Balances with the Central Bank of Iraq	142,160,988	% 42
2	Cash with local and Foreign Banks	99,373,357	% 29.3
3	Investments	30,699,992	% 9
4	Islamic Financing	46,267,110	% 13.6
5	Other Assets	554,858	% 0.1
6	Intangible Assets	87,102	-
7	Fixed Assets	12,011,415	% 3.5
8	Undergoing Projects	8,010,585	% 2.4
	Total	339,165,407	% 100

Eighth: The names of the original and reserve board members, the amount of their contribution as on December 31, 2020, their qualifications, and the names of the chairman and members of the Shariah Board.
A- The original members of the board of directors:

No.	Name	Position	Number of Shares	Qualifications
1	AHMED ABDUL MAJEED JUMAA	Chair of BOD	2,000	BC.S Management and Economy - Statistics
2	AZHAR MUAYYAD AHMED	Deputy Chair of BOD	2,000	BC.S Management and Economy - Accounting
3	DURAIID YASSIN HAMDAN	CEO	2,000	BC.S Management and Economy - Advertising Science
4	ABDEL MONEIM MAHDI SALEH	Member	24,750,000,000	BC.S Business Administration
5	HAIDER AKRAM MUHAMMAD ALI	Member	2,000	BC.S Management and Economy - Economy

B- Reserve Board Members:

No.	Name	Position	Number of Shares	Qualifications
1	HUDA ABDULWAHAB HASAN ALI	Member	2,000	BC.S Management and Economy
2	JIHAD MUHAMMED ALI KHORSHEED HUSSEIN	Member	2,000	BC.S Business Administration
3	BAN DARWEESH FERRARI KHAIR HADAD	Member	2,000	BC.S Business Administration



C - Information of board members and individual attendance at board meetings:

No.	Member Name	Number of Meetings	Attendance
1	AHMED ABDUL MAJEED JUMAA	7	Attended all meetings
2	AZHAR MUAYYAD AHMED	7	Attended all meetings
3	DURAIID YASSIN HAMDAN	7	Attended all meetings
4	ABDEL MONEIM MAHDI SALEH	7	Attended all meetings
5	HAIDER AKRAM MUHAMMAD ALI	7	Attended all meetings

D- Information of the members of the board of directors in (the board's committees, the date of appointment, attendance, remuneration, the transactions that took place between the member and the bank or any related person).

No.	Name	Membership	Appointment Date	Loans	Remuneration	Transactions with the bank or any related person
1	AHMED ABDUL MAJEED JUMAA	Head of Governance Committee	2017/11/15	N/A	10 mil	N/A
2	AZHAR MUAYYAD AHMED	1- Member of Governance Committee 2- Member of Nominations and Rewards 3- Member of Risk Committee	2017/11/16	N/A	10 mil	N/A
3	DURAIID YASSIN HAMDAN	1- Head of IT Committee 2- Member of Nominations and Rewards 3- Member of Risk Committee	2017/11/16	N/A	10 mil	N/A
4	ABDEL MONEIM MAHDI SALEH	Head of Nominations and Rewards Committee	2017/11/16	N/A	10 mil	N/A
5	HAIDER AKRAM MUHAMMAD ALI	1- Member of Governance Committee 2- Member of Risk Committee 3- Member of IT Committee 4- Member of Audit Committee	2017/11/16	N/A	10 mil	N/A
6	HUDA ABDULWAHAB HASAN ALI	Head of Audit Committee	2017/11/22	N/A	10 mil	N/A

E- Names of the shareholders who own 1% or more of the shares and the shareholders who own 5% or more of the bank's shares:

No.	Shareholder Name	Number of shares	Percentage
1	ABDEL MONEIM MAHDI SALEH AL-SILAWI	24,750,000,000	% 9.9
2	MUHAMMED HABIB HUSSAIN AL MULLA	24,750,000,000	% 9.9
3	MUSTAFA ABDEL MONEIM MAHDI	24,750,000,000	% 9.9
4	MUHANNAD HABIB HUSSAIN AL-MULLA	24,750,000,000	% 9.9
5	MARYAM MUHAMMAD HABIB AL-MULLA	24,750,000,000	% 9.9
6	WASSAN HASSAN ALI AL-KALAB	24,750,000,000	% 9.9
7	AWS ABDEL MONEIM MAHDI	24,750,000,000	% 9.9
8	ALAA HABIB HUSSEIN AL-MULLA	13,000,000,000	% 5.2
9	MANARES AHMED SALEH	12,999,997,000	% 5.2
10	SAMER AHMED MAHDI ABBASI	12,999,997,000	% 5.2
11	SARAH MUHANNAD HABIB AL-MULLA	12,568,318,666	% 5
12	HASSANEIN MUHANNAD HABIB AL-MULLA	12,568,320,667	% 5
13	SAJAD MUHANNAD HABIB AL-MULLA	12,568,320,667	% 5



F- Members of the Shariah Board:

No.	Name	Position
1	FARWQ SHALTAKH MAHDI	Head of Shariah Board
2	ABDULQADIR MAHDI SALIH	Member
3	AHMED SALIH HUSSEIN	Member
4	ALI SALIM SALMAN	Member

Ninth: Salaries and Wages:

The balance of salaries, wages and bonuses paid to employees during the year 2020 amounted to about (716,581) thousand dinars, noting that the bank's management adopted a policy of continuously improving the standard of living of its employees, and the number of the bank's employees at the end of the year became (70) employees.

The following is a table with the names of five employees who received the highest salary during the year 2020.

No.	Employee's Name	Place of Work	Job Title
1	DURAIID YASSIN HAMDAN	Head Office	CEO
2	ALI HUSSEIN JABIR	Head Office	Vice CEO
3	SABIH QASIM AHMED	Head Office	BOD Secretary
4	DASHTY ABDULLAH MOHAMMED	Head Office	IT manager
5	HIBA RIDAH MAHDI	Head Office	Compliance officer

Tenth: Classification of employees:

A- Classification of employees according to job description as on December 31, 2020

No.	Job Description	Number of Employees
1	CEO	1
2	Vice CEO	1
3	Secretary of the Board of Directors	1
4	Section Director / Compliance Monitor / Director of Money Laundering and Terrorist Financing Reporting Section / Head of the Main Branch	12
5	Branch Manager	5
6	Asst. Department Manager / Head of the Immune Chamber	12
7	Asst. Accountant	2
8	Observant	3
9	Associate Observer / Treasurer	20
10	Cash counter / Information Officer / Service Officer / Generator Operator / Guard / Driver / Agent	13
Total		70

B - Classification of employees according to educational attainment as on December 31, 2020

No.	Educational attainment	Number of Employees
1	M.A.	4
2	BA	44
3	Diploma	6
4	Upper secondary school	10
5	Lower secondary school	1
6	Primary school	5
Total		70



C- Administrative activity:

- **Human resources development:** The bank has presented a series of training programs in various fields and disciplines related to banking business in order to enhance the capabilities, skills and efficiency of its affiliates. Below is a summary of the number of participants in the courses during the year of 2020:

Classification of training courses by topic and venue during the year of 2020

Courses of 2020					
No.	Course title	Number of Courses	Inside Iraq	Outside Iraq	Participants
1	SWIFT LC, LG, and bills of collection	1	1	-	1
2	The Iraqi banking sector in the current situation	1	1	-	1
3	Banking Awareness Department Workshop	1	1	-	1
4	The founding meeting of the general assembly	1	1	-	1
5	Activate direct debit tools	1	1	-	2
6	The first workshop of Swift Group Iraq for the year 2020	1	-	1	2
7	Internal audit in a time of epidemic	1	1	-	1
8	FATCA Law Workshop	1	1	-	1
9	CFC Certified Financial Crimes	1	1	-	1
10	Attracting bank deposits and excellence in customer service	1	1	-	1
12	Banking Awareness and Public Protection	1	1	-	1
13	Opening a bank account	1	1	-	8
14	RTGS Payments System	1	1	-	1
15	Scorecard Workshop for Banks Corporate Governance Guide	1	1	-	3
16	Internal verification procedures for the reporting unit official in banks	1	1	-	1
17	Cyber security and countering intrusions	1	1	-	6
18	Financial Inclusion and FinTech	1	1	-	4
19	Corporate Risk Management	1	1	-	3
20	Banking Law No. (94) of 2004 Islamic Banking Law No. (43) of 2005	1	1	-	2
21	Sharia control and audit	1	1	-	1
22	Fundamentals of Islamic banking	1	1	-	3
23	Banking risk management (all risks included)	1	1	-	2
24	Methods for detecting financial fraud	1	1	-	2
25	A Framework for Corporate Information Technology Governance and Management COBIT 2019	1	1	-	1
26	Electronic blackmail and digital security	1	1	-	1
27	Modern Standards of Accounting and Financial Reporting (IAS & IFRS)	1	1	-	1
28	Treasury and Investment Operations Department	1	1	-	1
29	Express Transfers	1	1	-	6
30	Bank guarantees	1	1	-	4
31	Documentary credits and foreign letters of guarantee	1	1	-	1
32	Professional and Specialized Money Laundering Operations PMLs	1	1	-	2
33	Corporate Governance	1	1	-	1
34	Anti-Money Laundering and Terrorist Financing	1	1	-	1
35	Thinking and Strategic Planning	1	1	-	2
36	Islamic finance formulas and Islamic banking instructions	1	1	-	2
37	Islamic Accounting Standards (AAOIFI)	1	1	-	2
38	Sharia and Accounting Standards	1	1	-	1
39	Electronic Banking Services	1	1	-	1
40	Anti-Money Laundering and Terrorist Financing	1	1	-	1
41	Banking risk management	1	1	-	1
42	Bank branch management	1	1	-	2
44	Feasibility Study	1	1	-	1



45	Preparing estimated budgets	1	1	-	2
46	Methods for detecting forgery and forgery of documents	1	1	-	1
47	Risk Based Audit	1	1	-	1
48	Customer credit analysis	1	1	-	1
49	Bad credit	1	1	-	1
50	Bank credit risk	1	1	-	1
51	IT Governance	1	1	-	1
52	Information Security Risk Management and Breach Assessment	1	1	-	2
53	IT Infrastructure	1	1	-	1
54	Financial Inclusion	1	1	-	1
55	Integrated CRM system	1	1	-	1
56	Compliance and the risks of non-compliance	1	1	-	2
57	Electronic compliance	1	1	-	2
58	Advanced training course in the field of combating money laundering and terrorist financing	1	1	-	1
59	Tax Compliance Act (FATCA)	1	1	-	2
60	Islamic certificates of deposit and sukuk course	1	1	-	1
61	Sukuk Structure and Classification Methodology (in French)	1	1	-	2
62	Effective administrative communication	1	1	-	3
63	Digital Identity Project and Know Your Customer Online	1	1	-	2
64	Annual performance appraisal management methodologies	1	1	-	3
65	Review of the annual training plan of the Center for Banking Studies for the year 2021	1	1	-	1
66	Explain the effects of changes in foreign exchange rates according to the International Accounting Standard 21 practical application to change the dollar exchange rate in Iraq	1	1	-	3

Eleven: Other matters:

– Capital Adequacy:

The bank complies with the instructions of the Central Bank regarding calculating the capital adequacy ratio, which amounted to (352%) as on 31/12/2020, noting that the minimum ratio according to the instructions of the Central Bank is 12%.

– Cases and lawsuits filed:

There is one lawsuit filed by the bank against third parties in the amount of (300,000) US dollars related to the theft of this amount, and the judicial procedures are still in place, and the bank has hedged against it with sufficient provisions, knowing that there are no lawsuits filed against the bank until the end of 2020.

– Money Laundering and Terrorist Financing Reporting Section:

The Money Laundering and Terrorist Financing Reporting Section monitors the bank's activity in accordance with the laws and instructions issued by the Central Bank of Iraq to prevent money laundering operations, in implementation of the Anti-Money Laundering and Terrorist Financing Law No. 39 of 2015 and the recommendations issued by the working group Financial (FATF) where the department submits monthly and quarterly reports on cash banking operations for amounts exceeding (10) thousand US dollars or its equivalent in Iraqi dinars, as well as on all types of incoming and outgoing foreign remittances

In addition to the quarterly reports on the activities entrusted to the department, as well as reporting cases of suspected money laundering operations to the competent authorities (Anti-Money Laundering and Terrorist Financing Office). Training and workshops for combating money laundering and terrorist financing inside and outside Iraq, and the bank was equipped with electronic programs and systems necessary for this purpose, as explained in paragraph No. eleven (electronic systems)

– Tax:

The bank is taxed annually with the General Tax Authority for its activities.

– Sharia Compliance and Compliance Control Section:

The Compliance Controller is obligated 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 are applied, and to review the policies and procedures of all departments to ensure their consistency with the



relevant laws and instructions, and thus the compliance observer's work covers all the activities of the bank and its operations, and in order to enhance the role of this department, where the compliance observer enjoys independence, and the department has been linked directly to the board of directors. The highest standards of compliance in our bank.

– Risk Management Department:

The development and support work continued by the bank's management to establish a strong infrastructure for risk management. The department in the bank was reinforced with employees and intensively trained to upgrade their professional level. The department manages all the risks to which the bank is exposed, such as credit risks, market risks and operational risks.

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.

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 credit 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 Standard No. (9) (Expected credit loss in the future).

As for market risks, liquidity risks are analyzed and monitored, and gaps and risks resulting from foreign currencies are calculated

As for the operational risks, all risks resulting from them are followed up, as the departments and units in the bank have been circulated by informing the Risk Management Department of the operational risks and losses of those departments and units, and key indicators and a matrix of risks to which the bank is exposed, including the risks resulting from Internal control systems, electronic risks, legal risks, etc., and the department calculates stress tests, which are one of the requirements of the Central Bank, and the bank tends to contract to obtain an automated program to classify customer risks, as well as support programs for calculating all types of risks.

Structure, policies and procedures of the risk management department
The proposed organizational structure of the risk management department



Introduction

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 face, and work on evaluating those risks and determining the size of the risks that the bank's management wants to bear, in addition to verifying that the bank takes the necessary measures. And controls to reduce them to acceptable levels, in a manner that gives reasonable assurance about achieving the bank's objectives

First: The Financial Risk Unit: It is the possibility of not recovering the principal of the debt or the profits on time and completely, 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 rates and stock prices.



Second: Operational Risk Unit: Operational risks are considered one of the most important risks that can affect the bank and lead to its sudden bankruptcy, which were prepared within the standards of the Basel Committee. The bank is aware of the importance of these risks. This document has been prepared as a task guide for the Operational Risk Unit to be the basis and general framework for the Operational Risk Unit. Operating risks are (for example):

- Internal fraud / external fraud
- Employee practices and work environment safety
- Damage to physical assets
- Disruption of work and stoppage of systems
- Implementation, delivery and operations management.
- Environmental, social and economic events.

Third: Other Risks Unit: As part of the risk assessments and control procedures, the main business objectives (Objectives) and risks (Risks) that may be exposed are initially identified in order to attempt to achieve the objectives by setting up sufficient control procedures (Controls) to control those risks, while the risks are evaluated and the degree of Each risk 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. The risk assessment process is carried out on the basis of determining the potential impact on the bank's operations in all 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.

Policies and procedures:

The Risk Management Department updates the policies and procedures periodically according to the need and based on the requirements of the Central Bank of Iraq and the requirements of banking work. Non-compliance with Sharia in addition to updating the basic policies and procedures approved by the department.

Policy the acceptable risks limits and the risks that may be tolerated:

As for the policy of acceptable limits for risks and risks, it is updated annually according to the planning budget prepared by the bank, taking into account the standard ratios specified by the Central Bank of Iraq, which are shown in the table below:

Standard Financial Ratios Table		
No.	Details	Percentage Weight
1	Liquidity Coverage Ratio	% 100
2	Stable Net Financing Ratio	% 100
3	Capital Adequacy Ratio	% 12
4	Ratio of Cash Credit to Total Deposits	% 75
5	Liquidity Ratio	% 30
6	Ratio of Cash Bonds to Letters of Guarantee	% 15
7	Cash-to-Equity Ratio	% 600
8	Commitments to Capital Ratio	% 200

The following elements are also taken into consideration when preparing the acceptable level of risk:

- 1- The current status of the bank's capital.
- 2- Revenues of the bank.
- 3- The ability of the bank to deal and adapt to the results that occur under changing economic conditions.

The main components of an acceptable risk level:

First: Credit risk

1- Cases of credit concentration:

- A customer granted credit financing in an amount not exceeding 10% of the bank's regulatory capital.
- The percentage of investments does not exceed 20% of the bank's regulatory capital.

2- Risks of non-payment:

The acceptable risk ratio for the institution to bear the total loss in the credit portfolio is 0.007% of the capital, provided that the annual provision is adequately calculated.

3- The growth rate of the financing portfolio ranges between 5%-10% annually.



Second: Financial risks

- 1- Working to make the ratio of expenses to revenues 65% - 80%.
- 2- The growth rate in the deposit portfolio is 20% annually.
- 3- The growth rate in the institution's assets ranges between 5% - 2% annually.
- 4- The rate of growth in property rights is 0.5% -2% annually.

Third: Operational Risks

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

Fourth: System risks

- 1- A malfunction in a unit of work without stopping it within one day
- 2- Continuous loss of the system for 30 minutes
- 3- An effect that leads to a financial loss of 0.005% of the capital
- 4- Possibility of risk in 2% of operations

Fifth: Compliance Risks

1. The extent to which the bank's management and employees comply with the instructions issued by the relevant authorities, including the Central Bank of Iraq, and the internal regulations.
2. The extent to which the bank's management and employees comply with the established internal control systems and work procedures and policies.

Sixth: Reputation Risks

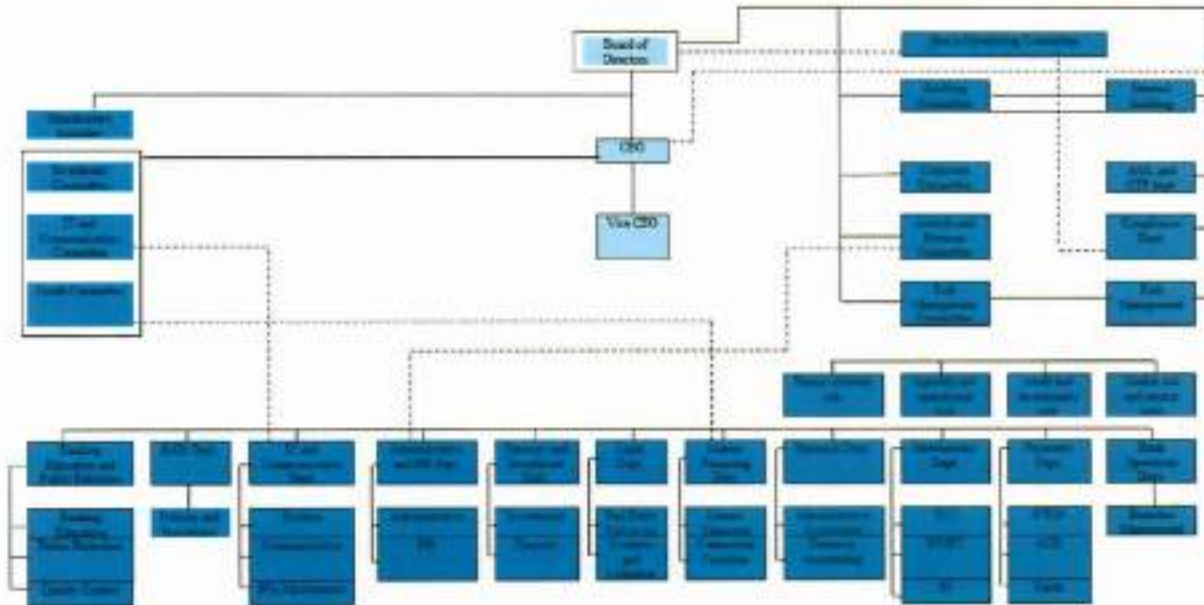
1. The administrative staff must deal with the bank's customers, suppliers or partners in a professional and transparent manner in accordance with the best practices in force.
2. The executive management must deal with the bank's job cadre in a way that guarantees the interest of the work and the employee's interest in accordance with the institution's internal system and the labor and workers law.





Twelve: The Bank's Organizational Structure:

The bank has an organizational structure and a job description associated with it that defines the powers, responsibilities and departments, and amendments were made to it during the year 2020 in light of the requirements of the corporate governance of the bank, so that the amended organizational structure ensures clarification of the limits of powers and responsibilities for each department, as well as the separation of conflicting functions, and it is taken into account The requirements of the Central Bank of Iraq and the figure below shows the organizational structure of the bank.



Thirteenth: Summary of the activities of the committees emanating from BOD:

First: The Governance Committee: The Governance Committee held two sessions during the year 2020, which included the session

The first is the formation of 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. The work of the general assembly meeting held on 01/10/2020.

Second: The Nomination and Remuneration Committee: The Nomination and Remuneration Committee held several sessions during the year 2020, which included the following:

- A. Discussing the decisions of the Appointments and Promotions Committee.
- B. Nominating and electing new members to the Board according to the requirements of the Governance Manual.
- C. Nominating employees to fill positions in the bank's departments.

Third: Risk Management Committee: The Risk Management Committee held four sessions during the year 2020, most of which included credit risks (Islamic financing of various kinds), operational risks and scenarios related to market risks, external environment risks and liquidity risks. In addition to conducting stress tests as directed by the Central Bank of Iraq, in addition to extracting the financial ratios of budget items.

Fourth: The Audit Committee: The Audit Committee (the Audit Committee) held (6) sessions during the year 2020 that included the following: -

- Informing the Committee of the organizational structure updated by the Department of Administrative Affairs and Human Resources in accordance with the requirements and directives of the Central Bank of Iraq.
- The committee reviewed the budget and final accounts and reviewed them with the auditor.
- The Committee reviewed the results of the quarterly budget audit prepared by the Internal Audit Department.
- The committee discussed the extent to which international accounting standards are applied according to the directives of the Central Bank.
- Reviewing the consolidated report of the AML and CFT Department, and there are no fundamental matters affecting the workflow.
- The Committee reviewed the reports of the Department of Risk Management and Sharia Compliance.
- The committee reviewed the financial department's data and all financial ratios and compared them with the rest of the months.

Fourteenth: The banking systems used:

A - Main banking systems

No.	System Name	System description	Department using the system
1	Banks	Banking System	All branches \ Department
2	Online Banks	Online Banking	All branches \ Department
3	AML	AML System	Reporting AML
4	SWIFT	Money Transfer (Foreign)	International department (SWIFT Unit)
5	WESTERN UNION	Money Transfer (Limited amount)	Rasheed branch - Erbil branch - Kirkuk branch - Main branch
6	RTGS	Interbank Money Transfer	Payment Department
7	ACH	Interbank Money Transfer (Cheque reading)	Main branch \ Payment department
8	CBS	Credit Information Exchange	Credit Department
9	Smart Clear	Connecting Payment system with core banking system	Payment department
10	LG PLATFORM	-	Credit Department \ Audit Department
11	WORLD-CHECK	Scanning the names of the customers	AML and CFT

B- Secondary banking systems:

No.	System Name	System description	Department using the system
1	Print Server	Connecting the core banking system and printers	IT Department
2	Access Control	Allowing Access to Server room	IT Department
3	Alarm System	Sending and SMS\ Email Warning in case of fire, temperature change, change in humidity and water leak.	IT Department
4	ESXI	Creating and Administrating virtual Servers	IT Department
5	Hosting	Display a bulletin board in the branches	IT Department
6	E-mail System	Creating and Managing E-mails	IT Department
7	Laserfiche	Archiving the files	IT Department

Fifteen: Corporate Governance from the BOD Perspective:

- Corporate governance aims at improving performance and thus maximizing the value of the institution through the application of sound corporate governance principles. Therefore, corporate governance focused on the role of the board and its committees in the control process and identified its duties and responsibilities, as well as the duties and responsibilities of its various committees and the conditions of suitability for its members, as well as the role of the board and its committees in the control process. The executive management and the suitability of its members. It also focused on the issue of separation between management and ownership, and defined the rights of each of the stakeholders and focused on integrity in dealing with them.
- The bank has developed a guide to corporate governance and it has been approved by the board of directors, and this guide is consistent with the corporate governance guide for banks issued by the Central Bank of Iraq, as well as the charters of the various board committees, and the policies and procedures necessary for the bank's work have been developed and approved by the board. The Board also approved a strategy for the bank for the coming years and defined the general objectives of the bank and the specific objectives for each of the years that the bank must achieve. The bank also strengthened the role and independence of the supervisory departments such as the Internal Shari'a Audit and Oversight Department, risk management, compliance and money laundering, in order to establish a strong infrastructure supervision in the bank. And he developed an appropriate organizational structure for the bank that defines the lines of communication and authorities, and the bank always seeks to strengthen corporate governance.
- The number of Board of Directors sessions reached (7) sessions during the period from 01/01/2020 to 31/12/2020, which included (19) decisions, most of which are related to preparing policies and procedures for the work mechanism of the departments and adopting a guide for corporate governance in addition to the formation of pop-up committees From the board of directors and another from the executive management in line with the directives of the Central Bank of Iraq and the corporate governance manual, organizing work charters and tasks for these committees after appointing heads and members for them, and activating
- The work of these committees according to the minutes of the meeting of the Board of Directors held on 15/08/2017 in its fifth session are as follows:

No.	Committee Name	Number of Minute of Meetings
1	Governance Committee	2
2	Nominations and Rewards Committee	3
3	Risk Management Committee	4
4	Audit Committee	6
5	IT and Communication Committee	5
6	Credit Committee	20
7	Investment Committee	1

Sixteenth: Approaches to Attracting future Deposits:

Proceeding from the supervisory role of the Central Bank of Iraq and according to its letter No. 9/3/80 on 20/02/2019, which included the efforts of Islamic banks to reach the percentage of the future deposits standard, which should not be less than 30% of the total liabilities, so the bank's management sought to provide products and services A new banking system that is compliant with Islamic Sharia to support the financial inclusion process and reach an advanced percentage of the term deposits standard, as follows:



- 1) Contributing to the initiative of the Central Bank of Iraq (financing small and medium enterprises).
- 2) Murabaha sale of furniture for employees of government departments.
- 3) Investing the funds of investment accounts in short and medium-term development projects that you are implementing
- 4) Sober companies to ensure high returns that encourage such accounts.
- 5) Expanding the operations of issuing letters of guarantee by adopting term deposits as cash guarantees for those guarantees.
- 6) Providing banking facilities to guarantee investment deposits and domiciliary salaries.
- 7) Studying the possibility of settling consumer bills (electricity bills, for example) to achieve financial inclusion

Seventeen: Contracts

No.	Contract Name	Contract Value	Contract Description
1	ICSFS	500,000 USD	Specialized in preparing and supplying computer programs and maintaining integrated banking software systems
2	KPMG	55,000 USD	Providing advisory services and advice on financial position assessment, AML, compliance and Risk management
3	PIOTCH Co. for AML/CFT	45,000 USD	System for monitoring daily transactions and suspicious operations to related to AML
4	DOTJO	20,000 USD	To create websites for the bank
5	Cheque books printing Contract	20,000 USD	Preparing cheque books for the bank
6	Earth's Orbit Co.	19,000 USD	A machine for printing and providing instruments
7	Falcon Security Co.	5,700 USD	Provides security services represented by fixed guards
8	Kaspersky	3,160 USD	A contract for the supply, operation and application of anti-virus licenses
9	Erbil Branch Telephone Switch	1,750 USD	Equipping a Panasonic switch linking the branch to Baghdad site
10	Sum of all Branches leases Contracts	118 mil IQD	Rental contracts
11	Accounts Auditing Contract	30 mil IQD	A contract was signed with Khalil Ibrahim Al-Abdullah Co. and Hashem Selim Tamra Co.
12	Telephone lines contract	350 Thousand IQD	An invoice line / Zain company
13	IBTS contract for Economic consulting and Training	14,500 USD	Equipping the bank with electronic archiving system LASERFICHE
14	Janat Al-Iraq Contract for Security Services	5,600,000 mil IQD	Security protection contract for the Head Office and the Main branch
15	Central Bank of Iraq	136,208,833 mil IQD	Subscribers to the banking communications network operating with optical cable technologies
16	Earth's Orbit For General Trading	7,000 USD	Equipping QMS600i -Q-System and Customer Review System
17	Prototype Contract	1,400 USD	FATCA service contract

Eighteen: Financial Inclusion:

The Central Bank of Iraq is the main supporter of the application of the principle of financial inclusion by setting rules and legislation to facilitate procedures for banking transactions in all its forms and approving the provision of simplified and different financial services to all segments of society, whether institutions or individuals to manage their money and savings in a safe and sound manner. Through legitimate channels (banks) at reasonable prices.

- For everyone, and it is easy to obtain in a way that ensures that the majority does not resort to informal means that are not subject to any control and supervision. And that the Central Bank seeks to popularize the concept of financial inclusion across the banking sector by asking banks to use modern electronic payment systems for the purpose of achieving.



- The role of financial inclusion, economic growth, poverty reduction, achieving sustainable development goals, protecting consumers, financing small and medium enterprises, and providing financial products. Among the advantages of financial inclusion:
 - Create a database for each market.
 - Reduces the process of dealing with banknotes and creates a kind of safety.
 - Reduces the process of corruption and bribery.
 - Introducing the informal market to the banking sector.
 - Settlement of salaries. The bank seeks to gain the confidence of citizens, especially employees of state departments, and localize their salaries in implementation of the instructions of the Central Bank, which allows the employee many possibilities such as shortening time, effort and cost in various financial transactions and reducing dealing with cash and its risks.

Nineteen: Conflict of Interests Associated with Board Members:

- No member of the bank's board of directors has an interest (direct or indirect) in the business and contracts concluded for the bank's account in accordance with the controls and instructions.

Twenty: 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 in classifying its accounts and organizing its records and in preparing and organizing data and statements as required by the provisions of the laws and instructions in force.

In conclusion, the Board of Directors extends its highest thanks and gratitude to the bank's shareholders and affiliates 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.

Twenty-one: Material changes and events subsequent to the date of the financial statements:

There are no material matters that have a negative impact on the bank's work and continuity during the fiscal year following the preparation of this report.

Twenty-two: Acknowledgment of responsibility

1. The board of directors bears responsibility for the accuracy and adequacy of the bank's financial statements and the information contained in the report, and for the adequacy of the internal control and control systems.
2. The Board of Directors is responsible for implementing good corporate governance policies and practices and the Corporate Governance Manual issued by the Central Bank of Iraq.
3. The Board of Directors and the Executive Management are committed to applying the full set of announced international financial reporting standards, and to adhere to 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 shall abide by all laws, instructions and regulations issued by the Central Bank of Iraq.
5. The board of directors bears responsibility for the safety of all activities, operations, and procedures of the bank, including its financial conditions and reputation, and the responsibility to implement 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 "stakeholders", and that the bank is managed within the framework of legislation, and within The internal policies of the bank, and that effective control is constantly available on the activities of the bank.

Wishing everyone good luck

(Signed)
DURAID YASSIN HAMDAN
CEO

(Signed)
AHMED ABDUL MAJEED JUMAA
Chairman of the BOD

(Seal of)
Khaleil Ibrahim ALAbdullah and Partners Co.
For Accounts monitoring and auditing
(18)
Chartered Accountant and Auditor (285)

(Seal of)
Hasim Saleem Matmrah
Chartered Accountant and Auditor
(58)



Annual Corporate Governance Report for the fiscal year ending 31\12\2020





Annual Corporate Governance Report for the fiscal year ending 31/12/2020

Head of Corporate Governance Committee Address

Dear Shareholders,

Stemming of our awareness of the importance of applying the best practices of good governance, our commitment to the requirements of the Corporate Governance Manual 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, in our belief that setting sound corporate governance frameworks 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 objectives, monitor risks and ways to develop. The performance and success of any institution and its long-term sustainability.

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. Relevant Iraqi laws and international standards issued by institutions and bodies International.

Formation of the Governance Committee

The Corporate Governance Committee was formed on 15/11/2017 based on the minutes of the Board of Directors meeting held in its fifth session on 15/08/2017, where it was decided to form the committee from the gentlemen whose names are listed in the table below to undertake the tasks of preparing, monitoring and updating the corporate governance guide for the bank and preparing the quarterly reports to the board of directors.

No.	Name	Job Description	Membership
1	AHMED ABDUL MAJEED JUMAA	Chairman of BOD	Head
2	AZHAR MUAYYAD AHMED	Deputy Chairman of BOD	Member
3	HAIDAR AKRAM SALIH	Member	Member
4	SABIH QASIM AHMED	Secretary	Committee affirmed

Objectives of the Corporate Governance Committee:

The Governance Committee aims to achieve a number of goals, the most important of which are (transparency, accountability, responsibility, equality).

Duties and Responsibilities of the Governance Committee:

1. The committee sets a general framework for the foundations of governance in the bank and the approved policies and procedures for that, so that they are submitted to the board of directors for approval. The committee also reviews these policies and procedures and proposes to amend them if necessary at least annually, and these policies and procedures must be compatible with the provisions of The Governance Guide and all the regulatory instructions and 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 (the Audit Committee) and with the Shari'a Supervisory Board to ensure compliance with the Guide.
3. Focusing on the privacy 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 (Shariah Compliance and Compliance Control Section, Money Laundering and Terrorist Financing Reporting Section, Internal Sharia Control and Audit Section, Risk Management Section) and propose any amendments in this regard.



6. The committee must ensure the preparation of the code of ethics and ethical standards 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 shall monitor the implementation of the corporate governance guide of the bank so that it is in line 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 that is 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. Ensure the effectiveness of the internal control systems related to monitoring corporate governance in the bank.
15. To make recommendations regarding the appropriate number for the composition of the Council, including:
 - Forming council committees and defining their tasks
 - Take charge of 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, and also recommends to the Board the introduction of amendments to those practices.
17. Consider issues of non-compliance with governance and recommend 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. Periodically submit reports to the Board of Directors regarding the Committee's observations and recommendations, and any other matters that the Committee deems appropriate or upon the Board's request.
20. Make an annual report that includes the activities and works that have been implemented by the Governance Committee during the previous year.

Committee activities during 2020:

1. The Bank's Corporate Governance Manual has been prepared and approved by the Board of Directors.
2. The Corporate Governance Committee's work charter has been prepared and approved by the Board of Directors, which includes (definitions, committee formation, formation and number of committee members, committee formation, committee term, committee membership, nomination, remuneration, committee secretary, committee meetings, powers Committee, tasks of the committee, responsibilities).
3. The Governance Committee meeting was held on 3/15/2020 according to the invitation sent by the Chairman of the Governance Committee (Ahmed Abdul Majeed Juma) on 3/08/2020, and the Committee began implementing the content of the letter of the Central Bank of Iraq / Banking Control Department / Analysis Section Banks performance and risk control No. 9/6/95 on 02/03/2020, where the committee decided the following:
 - Forming a working group to update the corporate governance guide in light of the recent directives issued by the Central Bank of Iraq in the above book, where the working group consists of the gentlemen whose names are listed below.
 1. Mr. AHMED ABDUL MAJEED JUMAA (Chairman of the BOD)
 2. Ms. HUDA ABDULWAHAB HASAN ALI (Chairman of the Audit Committee)
 3. Mr. DURAIID YASSIN HAMDAN (CEO)
 4. Ms. FADIA GHANEM KHALIL (Director of the Internal Sharia Audit Department)
 5. Mr. SABIH QASIM AHMED (Secretary of the BOD)
 6. Mr. MUSTAFA ABDULKARIM ALIWI (Sharia Compliance and Compliance Monitoring Assistant Manager).

The work team was directed to take all necessary measures to implement the aspects of the scorecard.

4. The bank's corporate governance guide has been updated and approved by the board of directors according to the updated corporate governance guide issued by the Central Bank of Iraq on 7/11/2018.



5. 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) and the same as reserves, according to what was stated in the governance guide.
6. The committee reviewed the minutes of the committees emanating 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.
7. The Committee reviewed the Governance Manual (updated) and approved by the Board of Directors according to the directives of the Central Bank of Iraq and the requirements for amending the formation of committees emanating from the Board of Directors and the Executive Management after increasing the original and reserve members of the Board.
8. 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 Manual and what is consistent with the sections of the bank indicated in the organizational structure and the committees emanating from the board and the executive management after its approval and sending a copy of it to the Central Bank of Iraq.
9. The committee reviewed the agenda items of the general assembly meeting held on 10/01/2020 and confirmed that the bank's management is moving towards establishing companies to establish and implement the principles of corporate governance in addition to maximizing the profitability element.
10. The Committee reviewed the plan and methodology for applying Standard No. (9) (Financial Instruments) and approved by the Board of Directors according to the directives of the Central Bank of Iraq.
11. 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 approved by the Board of Directors.
12. The committee reviewed the policies and procedures of the financial department and ensured that they are within the requirements of the governance guide.
13. It was ascertained that the scorecard work team had taken the necessary measures to implement the content of the scorecard paragraphs of the Corporate Governance Manual issued by the Central Bank of Iraq.
14. It was ascertained that the team working on the scorecard for the Corporate Governance Guide had completed the first experimental electronic questionnaire and sent it within the prescribed period, as the questionnaire was sent on 12/03/2020.
15. It has been confirmed that the bank's corporate governance guide has been published on the bank's website.
16. It was ensured that awareness of the application of the corporate governance guide was spread within the bank.
17. It was ensured that the Code of Ethics and the ethical standards that govern the work of the Board of Directors, the senior executive management and all employees of the bank were prepared.
18. It was ensured that the charters of the work of each of the committees emanating from the board of directors and the executive management are consistent with the corporate governance guide of the bank.
19. 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.

In conclusion, we extend our thanks and appreciation to the members of the Corporate Governance Committee and the work team.

(Signed)
AHMED ABDUL MAJEED JUMAA
Chairman of Board of Directors

(Signed)
HAIDAR AKRAM MOHAMMED ALI
Member

(Signed)
AZHAR MUAYYAD AHMED
Member

(Seal of)
Arabia Islamic Bank
Governance Committee



Sharia Committee Report



-In the name of Allah the Most Merciful-

The annual report of the Sharia Supervisory Board
For the financial year ending on 31/12/2020

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, and may peace and blessings be upon him,

Peace, mercy and blessings of Allah be upon you,

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 financial year ending on 31/12/2020.

- The Sharia Board has monitored the contracts related to the transactions and agreements entered into by the Bank during the year 2020 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 relevant authorities.
- The board 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. The commission also obtained the information, data and interpretations and reviewed the books and records it requested and which it considered necessary to provide it with sufficient evidence to give a reasonable assurance that the bank's transactions did not violate the legal regulations and provisions and the fatwas issued.
- The authority clarified a number of new banking issues and stated the Sharia ruling on them.
- The authority answered all the related inquiries presented to it and issued the necessary fatwas.
- The Authority monitored the extent of the bank's compliance with the provisions of Islamic Sharia and Islamic Banking Law No. (43) Of 2015 and Sharia and accounting standards issued by the Accounting and Auditing Organization for Financial and Islamic Institutions.
- The authority 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 suggestions made by the department and the measures taken by the executive management of the bank in this regard.
- The authority reviewed the general budget of the bank as it is on 31/12/2020 and the Income statement for the period ending on 31/12/2020 and the clarifications about the financial statements as they provide a comprehensive picture of the bank's work, and the authority did not appear to have any legitimate violation of what it reviewed.
- The responsibility of the Sharia Supervisory Board is to express an independent opinion and to clarify 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 rests with the management of the bank.
- In our opinion:
 - The contracts and transactions carried out by the bank during the year 2020, which we reviewed, were carried out in accordance with Sharia 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 legitimate comments about it.

This report was issued on Tuesday 12/01/2021 corresponding to 82 Jumada Al-Awwal 1442.

We ask Allah Almighty to grant us guidance and sound judgment.

Peace, mercy and blessings of Allah

(Signed)

Eng. FAROUK CLTAG MAHDI

Chairman of the Fatwa and Sharia Supervisory Board

(Signed)

AHMED SALEH HUSSEIN
Member of the Sharia
Supervisory Board

(Seal of)

Arabia Islamic Bank
Sharia Supervisory Board

(Signed)

ABDUL QADER MAHDI SALEH
Member of the Sharia
Supervisory Board



Annual report of the Audit Committee



Honorable members of the General Assembly of Arabia Islamic Bank,

Subject\ The Annual report of the Audit Committee as on 31\12\2020

Good greetings,

Based on the provisions of Article (24) of the Banking Law No. (94) for the year 2004 and the Islamic Banking Law No. (43) for the year 2015 and the instructions issued thereunder, we present below the annual report of the Audit Committee for the year 2020, where this report contained in a summary form the results of the work The Committee in its review of the comprehensive audits of financial operations for the mentioned period, as follows:

1. It has been confirmed that the financial statements of the Arab Islamic Bank for the year 2020 are 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 in this regard, and we have obtained assurances that the financial statements and clarifications reflect the true financial position of the bank, as It was ensured that the financial statements for the year 2020 included all the information and clarifications that, in our opinion, were necessary to protect shareholders, depositors and other stakeholders, and were prepared in accordance with the relevant applicable legislation, regulations and instructions in accordance with the financial accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, and the international financial reporting standards issued by International Accounting Standards Board. Our bank has taken several measures to acquire a specialized electronic system in order to implement International Standard No. (9) during the year 2019, and the quantitative effect was sent according to the instructions to the Central Bank according to the bank's letter No. M/3/559 on 27/7/ 2020 as mentioned in our last year's report
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 255%, while the minimum standard ratio was 30%, and the capital adequacy ratio reached 352%, while the minimum standard ratio was 12%. Liquidity coverage LCR amounted to 467% and net stable funding NSFR amounted to 480%, while the minimum standard ratio is 100%.
3. It was ensured that the accounting system used, information systems, the book group and the records used are consistent with the requirements of bookkeeping, 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 extracted reports are accurate, reliable and clear in accordance with the provisions of Sharia. Islamic regulations and instructions issued by the regulatory authorities.
4. It was ensured that the Internal Sharia Control and Audit Department, along with the auditors, carried out the inventory process of fixed, cash and inventory assets and that it was carried out properly and that the results of the inventory matched the supporting records and that the evaluation process was carried out in accordance with the principles, principles and approved accounting principles.
5. The bank's internal audit plan for the year 2020 was reviewed, and it was found to be sufficient and comprehensive, and the results of the audit of the Internal Sharia Audit and Control Department were reviewed during the year 2020 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. The audit 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 did not expose the bank to high risks.

6. The committee also reviewed the internal control and control systems in the bank and made sure of their adequacy and safety.

7. The scope, results, and adequacy of the external audit of the bank 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.

Finally we would like to thank all those present

You have the utmost respect and appreciation

(Signed)

HUDA ABDULWAHAB HASAN
Head of the Audit Committee

(Seal of)
Arabia Islamic Bank
Audit Committee





Independent auditor's report





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Number: 1437

Date: 10/05/2021

Dear shareholders of Arabia Islamic Bank,

Subject/ The independent auditor's report on the financial statements of the Arabia Islamic Bank

Our opinion:

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

A statement of the financial position as on 31\12\2020, a statement of profits and losses and other comprehensive income, a statement of the change in equity, a statement of cash flow for the period ending on the same date, and the notes on the financial statements, including a summary of important accounting policies.

In our opinion, and taking into account the audit results shown later in this report, the financial statements of the bank present fairly in all material respects the financial position of the bank as on 31/12/2020, its financial performance, and its cash flows for the period ending on the same date in accordance with the financial accounting standards issued by the Authority Accounting and auditing for Islamic financial institutions, and international financial reporting standards issued by the International Accounting Standards Board.

Opinion basis:

The audit work was 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 Federation of Accountants, and our responsibility under these standards was explained later in the auditor's responsibilities for auditing financial statements section in this report. .

We are independent of the Bank in accordance with the ethical requirements relevant to our audit of the financial statements contained in the Code of Business Conduct. We have fulfilled our responsibilities under those requirements.

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

Important audit findings:

Our audit results showed the following clarifications and observations:

1- International Standards:

The organization of the general budget and final accounts has been prepared from 2016 to 2020 in accordance with International Financial Reporting Standards (IFRS, as well as organized in accordance with AAOIFI Islamic Financial Accounting Standards).

A - Standard No. (16)

- The general administration building and the main branch, in addition to the other new leased branches, have been disbursed to add building works and new halls since 2016. Therefore, we recommend the necessity of organizing lease contracts (more than a year) for the purposes of implementing Standard No. (16) and showing that within the right to use assets account leased in the statement of financial position.

B- Standard No. (9)

- The International Financial Reporting Standard No. (9) IFRS for the year 2019 was applied 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. The quantitative effect of the standard was sent to the Central Bank according to the letter of the Bank 559 on 27/07/2020, and the results on 31/12/2019 were as follows:

Account Name	Balance (In thousand IQD)
Provision for financing risk under the indicative regulation	1,313,963
Provision for expected financing risk under Standard No. (9)	1,729,748
Increasing Standard No. (9) from the provision of the indicative regulation	415,785

- In our opinion, it is necessary to recalculate Standard No. (9) for the year 2020 and determine the quantitative impact of the standard and calculate the required provision accordingly.
- The bank's management has calculated the provision for financing risks in accordance with the indicative regulation in the amount of 1,616,984 thousand dinars for the year 2020
- Decrease in the total of Islamic financing granted to customers by (17) billion dinars for the current year compared to last year.

2- cash:

- The cash balance amounted to (241) billion dinars as on 31/12/2020, which is less than the balance of the previous year by (33) billion dinars, and the reason for the decrease is due to an increase in the investment portfolio and a decrease in the amount of deposits.
- The cash balance in the fund/ foreign currencies amounted to (37) billion dinars, according to the exchange rate for each currency on 31/12/2020, while its balance in 2019 reached (5) billion Iraqi



dinars, and the reason for the increase is due to the high volume of deposits in dollars and an increase The exchange rates of the Iraqi dinar towards the dollar, according to the instructions of the Central Bank.

- C. The liquidity ratio reached 255% (the ratio of cash to deposits and credit current accounts), the liquidity coverage ratio (LCR) 467%, and the net stable financing (NSFR) 480%, which is within the acceptable limits.

3- Foreign banks:

- A. The cash balance with foreign banks amounted to (99) billion dinars as on 31/12/2020 and includes an amount of (97) billion dinars at the Arab African Bank, representing the following:

Amount \ In Billion IQD	Statement
69 Billion	Balance of Transfer not withdrawn yet
28 Billion	Transactions Sent to CBI haven't deposited in Correspondent Banks
97 Billion	Total Sum

- B. The accounts of correspondent banks were examined and audited during the year 2020.
- C. The (remittances by road) amounting to (28) billion dinars were verified and mentioned in paragraph (a) above - where we noticed that they appeared at the beginning of the fiscal year 2021 in the statements of the correspondent bank.
- D. The balances of foreign banks amounted to (99) billion dinars as on 31/12/2020, which constitutes 39% of the bank's capital, contrary to the instructions of the Central Bank according to its book number 9/2/40 on 3/2/2020.
- E. We noticed the presence of concentration at the one correspondent (Arab African Bank) contrary to the instructions of the Central Bank as on 31/12/2020, and the bank reduced the concentration ratio in compliance with the instructions of the Central Bank at the beginning of 2021
- F. It was noted that the balances in the Arab African Bank amounted to 9.8 million dinars on 31/1/2021 due to the payment of remittances to the beneficiaries, and thus the percentage of debit balances abroad has reached 4%, which is within the percentage specified in the instructions above.
- G. The management of the bank / the international department indicated by an official letter that the rating of the correspondent banks with which the bank deals is not less than (B-) according to the instructions except for Bank Al Etihad and as shown below:

Correspondent Bank	Rating
Arab African International Bank	B-/B
Banque Misr	B+
Al Baraka Turk Participation Bank	B
Bank of Jordan	BB-
Al Etihad Bank	Not Rated



4- Investments:

- A. The management of the bank has established four companies since 2018, which amounted to their capitals as shown below, and despite the passage of a period of time since their establishment - they did not achieve economic feasibility, which led to the liquidation of some of them.

Company Name	Capital \ In thousand IQD	Accumulated deficit
Arabian Horse Co.	8,000,000	36,921
Arabia Leasing Co.	7000,000	52,449
Al Jazirah Al Arabia Co.	10,000,000	38,497
Arabia Exchange Co.	4,949,992	
Total	29,949,992	

- B. A decision of the Registrar of Companies was issued to liquidate Arabia Leasing Company on 20/10/2020.
- C. A decision was also issued to liquidate the Arabian Horse Company by the Registrar of Companies, and the liquidation decision was issued in April 2021
- D. A contribution to the Iraqi Deposit Insurance Company was made with an amount of (750) million Iraqi dinars to guarantee public deposits.
- E. The bank's management contributed to the Arabia Exchange Company with an amount of (4,949) million dinars, bearing in mind that the certificate of incorporation was issued on 16/02/2021.

It is clear from the above paragraphs the necessity of proper planning for future investments.

5- Islamic finance:-

- A. Islamic financing, net, amounted to (47,884) million dinars as on 31/12/2020, which is 26% less than the balance of the previous year, and the returns amounted to (36,911) thousand dinars, which in our opinion is not at the required level.
- B. Participation funds of (2), totaling (27) billion dinars, were liquidated according to the payment receipts that we verified, in implementation of the Central Bank of Iraq's observations in this regard.
- Participation funding of (1) amounting to (10) billion dinars was granted with the guarantee of the project itself, in addition to granting (4) Murabaha financings with a total of (98,135) thousand dinars during the fiscal year 2020, some of them with guarantees + bill of exchange.

C - Participation

- A participation in the amount of (15) billion dinars was granted on 15/01/2017 to one of the bank's customers for the rehabilitation of a hotel, provided that the returns are due on 15/01/2019.
- No returns have been paid on the partnership contract since 15/01/2019, despite the passage of a period of time after the end of the qualification period, and the client was informed by the bank's letter No. 6/350 on 06/03/2019 that he had not paid the return and determined the project completion rates, which requires follow-up for recovery Bank rights.

E - Mudaraba

- Islamic financing (Mudaraba) has been granted in exchange for (Cheque + bill of exchange) in the amount of (22) billion dinars to (3) customers since 2017.



- No returns were paid in 2020, and no payments were made out of the original amount, noting that there are (2) speculative funds due for payment

It is noted from paragraphs (C and E) the above memorandum that the decisions of the Board of Directors of the Central Bank No. (120) and (122) for the year 2019 and the letter of the Banking Control Department No. 9/6/219 on August 23, 2020 especially paragraph (1-c) are not adhered to. .

- F. We recommend distributing Islamic finance to all branches of the bank in line with the economic activities in the geographical areas in which the branch is located, in order to distribute risks according to regions in addition to maximizing resources.
- G. We also recommend the necessity of expanding the credit base and restructuring the financing portfolio to include all economic sectors.
- H. We also recommend not to enter into granting long-term Islamic financing in order to maintain continuous annual cash returns according to the letter of the Central Bank of Iraq No. 9/6/2019 on 23/09/2020 Paragraph (1-B and C).

I. Percentage of Islamic investments and financings

The percentage of investment in speculation and participation amounted to 19% of the bank's capital and sound reserves, and the percentage of investments in establishing companies and shares amounted to 12%, which is within the percentage specified in the instructions.

According to the Central Bank's letter No. 9/2/5228 dated 17/03/2021 Paragraph (4-D) which refers to taking into account the calculation of participations and speculation within investments on it, the ratio is 31%, which requires an increase in credit risk allocations in accordance with the Central Bank's special instructions in this regard.

6- Pledge Credit

- A. The pledge credit balance amounted to (2,027,000) thousand dinars as on December 31, 2020, before deducting the insurances, and it represents the value of internal letters of guarantee. Note that the bank has not actively practiced this activity since its establishment in 2016, and the bank has not practiced documentary credits.
- B. The insurance balance for letters of guarantee amounted to (1,813,000) thousand dinars, which constitutes 89% of the value of the valid letters. The reason for the high percentage is due to receiving 100% guarantees for some letters because they are without solid guarantees.
- C. It can be concluded in the above two paragraphs that the bank has practiced the undertaking credit activity at a rate of less than 1% and that the permissible percentage is 200% of the capital. Accordingly, we recommend the necessity of giving importance to this banking activity in the future to maximize resources.
- D. The commitment credit risk provision amounted to (33,000,000) dinars as on 31/12/2020, which constitutes 15% of the net value of the letter of guarantee, knowing that it is higher than the percentage specified in the indicative regulation, which is 2%.

7- Other Assets

The balance of the above account amounted to (555,000) thousand dinars as on 31/12/2020, and most of the balance represents an amount of embezzlement of (438,000) thousand dinars by one of the



affiliates - still suspended in the records - due to the escape and disappearance of the mummy. Therefore, we recommend the necessity of taking the fundamental approvals and after exhausting all legal means to write off the debt.

8- Fixed and intangible assets

1. The balance of assets amounted to (15) billion as on 31/12/2020, noting that most of it represents the purchase of land in Al-Jadriya at a price of (10) billion dinars for the establishment of a building for the public administration, in addition to improvements of (3) billion dinars on a rented building on 14th Street, Ramadan, which requires making a lease contract for more than one year for this building in order to guarantee the rights of the bank, in addition to applying Standard No. (16) to show the right to use leased assets in the statement of financial position.
2. The net intangible assets amounted to (87) million, knowing that they represent systems whose total cost has reached (1,751) million dinars were amortized during (5) years, and the income statement is charged with the amortization installments.
3. There is control over fixed assets in the general administration and the rest of the branches, where the costs of fixed assets have been entered according to the electronic system used in the bank (BANKS) to achieve automated inventory procedures while monitoring the ongoing additions and write-offs on fixed assets, so we recommend the need to reclassify according to the sections in order to easily verify the fact of inventorying each department and questioning the concerned department for the differences (if any), especially with regard to the general administration and the main branch.

9 - Undergoing Projects

- A. The bank's management purchased a plot of land in the Jadriya area during the year 2017, with an area of (720) meters at a price of (10) billion dinars for the purposes of constructing a building for the public administration
- B. We have reviewed the mortgage bond for the aforementioned piece, and it was updated during the year 2021
- C. A contract was also signed to construct a building with the First Step Group for engineering and decoration on 15/10/2017 at a cost of (8) billion dinars, based on the construction area with the other floors estimated at (4000).
- D. The period of implementation, completion and handover of the building ends on 15/10/2019 according to the construction contract, and here you have a delay of (19) months from handing over the building until the date of writing this report
- E. Note that the completion rate reached (90%) according to the letter sent by the bank to the Central Bank of Iraq Islamic Banks / Real Estate Guarantee Division No. 1/3/115 on 28/12/2020



10- Auction window

Reference to the two books of the Central Bank / Banking Control Department No. 184 on 1/5/2019 and 9/1/23448 on 10/10/2019 The dollar purchases from the foreign currency buying and selling window amounted to (1,761,447,000) US dollars for the year ending on 31/12/2020 Revenues of (2,682,005,250) Iraqi dinars were achieved, as shown in the table below. When inquiring from the bank's management about the decrease in foreign currency revenues, the administration indicated that this is due to the supply and demand market and the actual sales operations in order to win customers.

Sector	Sells In USD	Income in IQD
External Transfers	1,750,017,000	2,668,325,250
Cash (Bank's Customer)	2,650,000	4,900,000
Exchange Companies	8,780,000	8,780,000
Total	1,761,447,000	2,682,005,250

- The account of foreign currency buying and selling revenues, amounting to (2,682) billion dinars, according to the table above, is less than the balance of (3,930) billion dinars, which appears in the statement of banking operations, and the reason for this is due to the realization of revenues from the sale of currency purchased outside the window.
- We recommend that a paragraph discussing profits and losses, including profits from buying and selling foreign currency, should be included during the discussion of the balance sheet and final accounts by the General Assembly, based on the instructions of the Central Bank / Banking Products Development Division No. 23466 on 10/10/2019.

11- Foreign currency pricing:

The foreign currencies in the bank's vaults and correspondent bank balances were priced at an exchange rate of (1460) dinars per US dollar as on 31/12/2020.

12- Profit and Loss Account (Result of Activity):

- A. The bank achieved a surplus (profit) of (358) million dinars before tax for the fiscal year ending on 31/12/2020.
- B. Revenues from buying and selling currency from the auction window and the bank's currency trading constitute 96% of the total revenues amounting to (4,109) million dinars. The banking operations activity also constitutes 4% of the bank's total revenues - and this will affect the future maximization of resources if the board of directors and the executive management do not adopt a new operating policy for banking operations and activities, especially in the field of pledge credit and the rest of the bank's activities.
- C. The depreciation account for leased building improvements includes an amount of (49) million dinars for the amortization of the Karrada branch expenses. In our opinion, it is necessary to reduce the depreciation rate of the leased building improvements account to fit the period of use and make it 10% instead of 20%.

- D. The salary account for the fiscal year decreased by 45% from the previous year, due to the reclassification of the direct withholding tax for employees borne by the bank on the account of taxes and fees instead of the expense of workers.

13- Deposits and current accounts:

- A. The balance of customer deposits and credit current accounts amounted to (56,541,888) thousand dinars as on 31/12/2020, which is lower by (36%) than the balance for the previous fiscal year.
- B. The necessity for the bank's management to take steps to attract customers and encourage them to save in accordance with the Central Bank's instructions regarding financial inclusion under the letter No. P/30/90 on 20/02/2019.

14- Capital Adequacy:

The capital adequacy ratio reached (352)% as on 31/12/2020, which is higher than the standard ratios mentioned in Banking Law No. (94) for the year 2004, which amount to 12%. The reason for this is due to the weak cash and pledge credit activity and increased liquidity.

15- Anti-money laundering:

The bank took measures to prevent money laundering and terrorist financing in accordance with the provisions of Law (39) of 2015 and a foreign company was contracted to develop the AML system (during the year 2017, and our most important observations were the systems for combating money laundering and terrorist financing operations, and several systems were noted by the department, including Bank-Bi AML system, which has effective scenarios for detecting money laundering and financing operations, and scenarios that need to be developed, and (WORLD-CHECK) system from (REFINITIV) company to examine the names of customers on global sanctions lists and to detect persons with politically sick risks peps

The department prepares quarterly reports to the Board of Directors and then sends them to the Anti-Money Laundering and Terrorist Financing Office and the Central Bank of Iraq, and they were prepared in accordance with the controls issued by the Central Bank of Iraq No. 9/3/306 and dated 19/09/2016.

The bank is registered with the IRS and its Global Intermediary Identification Number (GIIN) is 21VT08.0000.LE.368 and has submitted a report to the IRS with US citizens for the year 2020.

When we examined the quarterly reports, we noticed the following:

No.	Details	Number
1	The number of open investigations	1
2	Suspicious reports	2
3	Fraud complaints and the number of reports sent to Western Union	9

16- Risk management:

When reviewing the quarterly reports, we noticed the following:

- A. The bank has taken several measures to activate the risk classification system, especially the operational risks.
- B. The Bank's Risk Management Department conducted stress tests in accordance with the Central Bank's instructions, noting that this was done electronically according to the (Excel) table sent by the Central Bank.
- C. The policies and procedures for risk management were reviewed and it was found that they were prepared according to the instructions of the Central Bank of Iraq.
- D. The reports of the Risk Management Department were reviewed and it was found that the report includes the types of risks.

17- Reports of the Compliance Monitor:

The compliance reports for the year under audit were examined and reviewed and we found that their organization was in accordance with the instructions of the Central Bank of Iraq.

18- Internal Sharia Audit:

The internal Sharia control and audit system included the necessary procedures that are commensurate with the size and nature of the bank's activities, which contributed to the implementation of the supervisory and internal control procedures and the approved accounting systems, and that the bank's documents and records are preserved and prepared in a sound and appropriate manner, especially the bank's funds, in addition to the role of the department in controlling performance Ensuring adherence to established policies, preserving the bank's assets and working to add value by contributing to risk management, evaluating and improving this system to ensure the achievement of the bank's objectives, through the independence of the internal auditor to be able to perform his duties appropriately and achieve the objectives of the aforementioned systems, as the internal auditor's tasks on The most complete aspect is the implementation of a risk-based audit program that contributes to protecting the bank's assets and verifying the workflow in the required manner. It has been observed that this is implemented.



19- Legal cases:

The legal department of the bank has confirmed to us that there are no legal cases filed by third parties against the bank, and that there is one lawsuit filed by the bank against third parties regarding theft of (300) thousand US dollars by one of its affiliates years ago, knowing that a provision was taken for this theft. For hedging purposes.

20- Report of the Board of Directors and the scorecard:

We have noticed that the bank's board of directors attaches special importance to the implementation of corporate governance instructions through preparing a special guide for governance and forming special committees in this regard in accordance with the instructions of governance - the Board of Directors has also given special importance in following up on the pilot test of the scorecard established by the Central Bank, and we have the recommendations set out Below:-

- The necessity of having an effective system for evaluating the results of the Board of Directors' work annually.
- The necessity of seeking the assistance of external experts to provide advice to the members of the Governance Committee, and if it is possible to appoint them as permanent advisors
- We recommend that all scorecard indicators be fully and fully documented.
- The need to give special importance and focus on increasing the effectiveness of the Information and Communication Technology Committee, whose outputs include achieving the goals of corporate governance.
- We also recommend the necessity of issuing a statement by the board of directors to all executive departments explaining the core values to be followed according to the performance card indicators.

21- Central Bank Correspondence:

Through our review 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, it was clear that the bank's commitment and interest in the observations related to monitoring the work of the audit results, answering them, implementing them and continuing to comply with them and that everything that is sent from the bank Central bank of data to be identical to the records of the bank.

22- The internal report:

An internal report was issued by us (management letter) No. 76 on 11/12/2020 and was completed Discussing the comments received with the bank's management.

23- Disclosure of professional wages:

Professional wages for auditors amounted to (30) million dinars, according to what appears in the statement of operating expenses for the year 2020.

24- Corona pandemic:

The Corona pandemic (Coved19) spread in early 2020 all over the world, including the Republic of Iraq, which caused the disruption of many activities and economic systems and this negatively affected the activities of banks, and the bank management considers that in this pandemic an emergency event that was not hedged due to the fact that The situation is changing and rapidly evolving, and the management believes that it is possible to determine a quantitative estimate of the potential impact of this pandemic on the bank's future financial statements.

And accept our sincere thanks and appreciation,

(Signed)

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(Signed)

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(Seal of)

Hasim Saleem Matmrah
Chartered Accountant and Auditor
(58)

(Seal of)

Khaleil Ibrahim AlAbdullah and Partners Co.
For Accounts monitoring and auditing
(18)
Chartered Accountant and Auditor (285)



General Balance

For the fiscal year ending at 31\12\2020



Arabia Islamic Bank
Disclosure of financial position as at 31/12/2020

Discription	Explanation	2020 (Thousand IQD)	2019 (Thousands IQD)
Assets			
Cash and balances with the Central Bank of Iraq	4	142,160,988	232,249,335
Balances with other banks	5	99,373,357	42,720,548
Investments	6	30,699,992	25,750,000
Net Islamic Financing	7	46,267,110	63,978,555
Other Assets	8	554,858	483,460
Intangible Assets	9	87,102	268,899
Net Fixed Assets	10	12,011,415	12,653,435
Undergoing Projects	11	8,010,585	8,515,000
Total Assets		339,165,407	386,619,232
Liabilities and Equity			
Liabilities			
Banks' deposits	12	30,356,358	-----
customer current deposits	13	56,185,530	135,854,172
Long term loans	14	498,333	825,000
Cash Insurance	15	1,813,851	287,651
Other liabilities	16	200,385	108,270
Provisions	17	600,651	394,065
Total liabilities		89,655,108	137,469,158
Property rights			
Paid Capital		250,000,000	250,000,000
Mandatory Reserves		96,231	88,617
Retained Profit / Loss		(585,932)	(938,543)
Total equity		249,510,299	249,150,047
Total liabilities and equity		339,165,407	386,619,232

(Signed)
Rana Abdulkareem
Accountant

(Signed)
Duraid Yaseen Hamdan
CEO

(Signed)
Ahmed Abdulmajeed Joma
Chairman of the BOD

In adherence to our report numbered 1437 dated 10/05/2020

(Seal of)
Khaleil Ibrahim AlAbdullah and Partners Co.
For Accounts monitoring and Auditing
(18)
Chartered Accountant and Auditor (285)

(Seal of)
Hasim Saleem Matmrah
Chartered Accountant and Auditor
(58)

(Signed)
Khaleil Ibrahim AlAbdullah and Partners Co.
For Accounts monitoring and Auditing

(Signed)
Hasim Saleem Matmrah
Chartered Accountant and Auditor



Arabia Islamic Bank

Profit\ Loss and Other Comprehensive Income Statement for the year ended at 31/12/2019

Discription	Explanation	2020 (Thousand IQD)	2019 (Thousand IQD)
Operations revenue			
Revenue from Islamic financing	19	36,911	1,566,947
Commissions payables	20-A	187,660	159,124
Deducting: Debtor Commissions	20-B	46,717	90,623
Net		140,943	68,500
Profit of selling and purchasing foreign currencies	21	3,930,298	2,007,827
Miscellaneous bank income	22	1,379	998,372
Total operation revenue		4,109,531	4,641,646
Operations expenses			
Employees' salaries and the like	23	716,581	1,293,398
Operating expenses	24	658,652	803,334
Depreciations	25	1,367,165	1,745,307
Taxes and fees	26	144,067	105,271
Risks of cash commitments	27	336,800	8,279
Exchange rate risk	28	183,000	-----
Other expenses	29	344,951	302,226
Total expenses		3,751,216	4,257,815
Profit (loss) before tax		358,315	383,831
Minus: 20% of the losses of previous years in accordance with Article 11 of the Tax Code 113 of 1983 as amended		179,157	191,915
Net profit (loss) before tax		179,157	191,915
Deducting 15% tax		26,873	28,787
Net profit (loss) after tax		152,284	163,128
Deducting 5% mandatory reserve		7,614	8,156
Other comprehensive income		---	---
Cumulative surplus		144,670	154,972
Comprehensive income for the year		144,670	154,972

(Signed)
Rana Abdulkareem
Accountant

(Signed)
Duraid Yaseen Hamdan
CEO

(Seal of)
The Republic of Iraq
Profession Council of Auditing and Control of Accounts
Secretariat

We certify the authenticity of the seal and signature of the auditor and that he is practicing the profession of auditing and auditing for the year 2021 without assuming responsibility for the contents of these financial statements
Diaa Abdul Karim Khudair
Receipt No. 5221 dated 14/06/2021

The notes in the attached explanation statements, from (4) to (29), are considered a vital part of the financial statement.



Arabia Islamic Bank

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
Additions deducting losses	----			179,157	179,157
Payment of an additional tax allocations calculated for 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

Arabia Islamic Bank

Statement of change in equity for the year ended at 31/12/2019

In Thousand IQD

Discription	Capital	Mandatory Reserves	Cumulative Surplus	Losses	Total
Opening balance at the beginning of the period	250,000,000	80,461	1,290,442	(2,518,322)	248,852,581
Additions deducting losses	----	-----	-----	191,915	191,915
Payment of an additional tax allocations calculated for 2018	----	----	(57,550)	----	(57,550)
Net profit for the current year	----	8,156	154,972	-----	163,128
Balance at 31/12/2019	250,000,000	88,617	1,387,864	(2,326,407)	249,150,074



Arabia Islamic Bank

Statement of Cash Flows for the year ended at 31/12/2020

In Thousand IQD

Discription	2020	2019
Comprehensive income for the year / after tax	152,284	163,128
Adjustment of non-cash items		
Deducting losses	179,157	191,915
Depreciation for the current year	1,367,165	1,208,364
Income after adjustments (I)	1,698,606	1,563,407
Changes in operating assets and liabilities		
Decrease/ increase in Islamic financing	17,711,445	37,353,942
Decrease / increase in other assets	(71,398)	(86,352)
Decrease / increase in customer deposits	(49,312,284)	45,103,768
Decrease / increase in cash deposits	1,526,200	(837,349)
Decrease/ Increase in other liabilities	92,115	73,836
Decrease in provision	222,537	(284,322)
Net cash flows in operating activities (II)	(29,831,385)	81,323,523
Investment activities		
Increase in investments	(4,949,992)	(750,000)
Increase in fixed assets	(29,067)	317,985
Increase in undergoing projects	2,967	-----
Net cash flows from investing activities (III)	(4,976,092)	(432,015)
Financing activities		
Loans / Credit	(326,667)	375,000
Reserves	-----	8,156
Net cash flows from financing activities (IV)	(326,667)	383,156
Net cash flows (I+II+III+IV)	(33,435,538)	82,838,071
Cash at the beginning of the year	274,969,883	192,131,812
Cash at the end of the year	241,534,345	274,969,883

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Arabia Islamic Bank

Statement of explanations related to the financial statements for the year ended at 31/12/2020

1. General Information:

The Board of Directors of the United Arab Money Transfer (Private Joint Venture Company), on 22/10/2015, decided to change the company to 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 regulations and provisions of the Islamic Sharia and Islamic Banking Law No. (43) for the year 2015. The approval of the Central Bank of Iraq was obtained by their letter No. 9847 on 20/06/2016. Moreover, the approval of Registrar of companies, a department of the Ministry of Trade, was obtained in their letter No. 605 on 11/01/2016, and the bank began its banking activities on 02/10/2016.

2. Application of new and revised IFRS standards

2.1 New and revised IFRS standards have been applied without having a material impact on the consolidated financial statements

The revised IFRS standards have been applied in these consolidated financial statements. The adoption of the revised IFRS does not have any material effect on the amounts reported for the current period or prior periods but may affect the calculation of future transactions or arrangements.

- Amendments to IAS 12 "Income Tax" relating to the recognition of deferred tax assets against unrealized losses.
- Amendments to IAS 7 "Statement of Cash Flows" to provide disclosures that enable the user of the financial statements to assess changes and liabilities arising from financing activities.
- Amendments to IFRS 12 on the requirements for disclosure of shares in other entities.

2.2 The new and amended standards issued have not yet been applied:

The Bank has not applied, prior to their implementation, the following new and amended standards:

New and revised IFRS standards that are applicable on annual basis for periods beginning on or after 1st January 2020:

Standard No. 16 of International Financial Reporting Standards "Tenancy contracts": Standard No. 9 of IFRS specify how the reporting entity prepare, in accordance with IFRS standards, its reports, presentations and disclosure of tenancy contracts. This accounting standard provide an accounting model for tenant requires of the contracting parties the recognition of assets and liabilities for all tenancy contracts unless otherwise tenancy contracts specify the lease contract is for 12 months or less, or the relevant assets are of low value. Lenders continue to classify leases as finance or operating lease contracts, with no significant change in the accounting model for the lessor in accordance with Standard No. 16 of the IFRS standards for the preparation of financial reporting compared to IFRS standards No.17.



IFRS standards No. 40 "Investment Property": January 1, 2020

The IASB amended the requirements in IFRS No. (40) "Investment Property" about the timing at which a company must convert one Real estate to or from investment property. The conversion happens only when there is a real change in use - that is, the original meets or no longer meets the definition of investment property and there is evidence of Change in use. The administration's intention only to change does not support the conversion process.

2.3 New, Revised and Exported Standards not yet enforced (continued)

IAS no. (28) "Investment in associates and coalitions companies" the investor in a non-investing company may prefer to maintain a fair accounting value recognized by an associate of an investment company or a joint venture with an investment company on its subsidiaries. This choice can be made in a separate way for each associate or joint investment group. Interpretation no. 22 issued by the International Financial Reporting Interpretations Committee (IFRIC) "Transactions in foreign currency and the corresponding advance payment ". When the price is paid or received in advance in foreign currency an item may be the item's principal, expenses or income criterion. IAS 21 "Effects of Changes in Foreign Exchange Rates" It is not clear on how to determine the date of the transaction to convert the relevant item. Which led to a variety of practices regarding the exchange rate used to convert the related item. Hence, Interpretation no. 22 of the International Standards Interpretations Committee defined the financial statements date of the transaction as the date recognized by the company in prepayment or future revenue resulting from the prepaid price for transactions involving multiple payments and revenues, each amount paid or received has a separate transaction date.

IFRS no. 9 for preparing financial statements "Financial Instruments"

In July 2014, the IASB issued the final version of IFRS no. 9, for the preparation of financial statements "Financial Instruments" which supersedes IAS no. (39) "Financial Instruments": The Recognition and Measurement and all previous issuances of IFRS no. 9 for the preparation of financial statements. The revised standard includes three international reporting features for annual statements beginning on or after 1 January 2018, early application is permitted.

Hedge accounting:

IFRS no. (9) Introduces new rules for hedge accounting aimed at aligning hedge accounting with risk management practices.

IFRS no. (9) Includes an accounting policy option to defer the application of IFRS (9) "Hedge accounting" and to continue to apply IAS 39 "Hedge Accounting". The Bank has decided to exercise the option of accounting policy but the bank will apply the revised disclosures in the hedge accounting required under amendments to IFRS (9) for preparation of financial statements instead of IFRS no. (7) Financial Instruments: Disclosures in the following financial statements:

Impairment:

The final version of IFRS 9 introduces a new individual model for measuring impairment losses for all financial assets including loans and debt securities measured at amortized cost or at fair value



through other comprehensive income. IFRS 9 replaces the current model, "losses incurred" IAS 39, by the "expected credit losses" model to be applied in the future.

In accordance with IFRS 9, expected credit losses are calculated by multiplying the probability of default, estimating losses by default and estimating exposures at default. The Bank has developed methodologies and models that take into consideration the relative size and complexity of investment portfolios.

The expected credit loss model includes a three-stage approach based on the change in the credit quality of financial assets since initial recognition. The expected credit losses reflect the present value of the deficit in cash relating to defaults either; (1) over the next 12 month period. Or; (2) the expected life of a financial instrument based on credit changes from inception.

- Under Phase 1, if there is no substantial increase in credit risk since the initial recognition, an amount equal to the expected credit loss will be recorded for 12 months.
- Under Phase 2, if there is a significant increase in credit risk since initial recognition but financial instruments are not considered to have been impaired in terms of credit, an amount equivalent to expected credit losses will be recorded based on the probable duration of the default.
- Under Phase 3, if there is objective evidence of impairment at the reporting date, these financial instruments will be classified as impaired and an amount equivalent to the expected credit loss will be recognized for the useful life of the financial asset.

The expected credit loss model represents a forward-looking view that requires reasonable and probable expectations of future economic conditions when determining significant increases in credit risk and measuring expected credit losses.

Assessment of the significant increase in credit risk:

An assessment of the significant increase in credit risk is made on a pro rata basis. To assess whether the credit risk of a financial asset has increased substantially since the inception of the financial asset, the Bank compares the risk of default over the life of the financial asset at the reporting date with similar default risk at the inception of the financial asset using the main risk indicators used in the risk management processes used At the Bank, the change in credit risk at each reporting date will be assessed individually and at the sector level for individual exposures.

General economic factors, forward-looking information and multiple scenarios:

IFRS 9 requires a fair and weighted estimate of credit losses by assessing the scope of potential results that include forecasts of future economic conditions.

The measurement of expected credit losses should include general economic factors and forward-looking information as well as determining whether there has been a significant increase in credit risk from the outset.

The measurement of expected credit losses at each reporting date should reflect reasonable and supported information about past events, current circumstances and expected forecasts of future economic conditions.



Expert-based credit judgment:

The Bank's methodology with respect to the composition of the expected credit loss provision requires the Bank to use its expert judgment to include the estimated impact of factors not included in the expected credit loss model results in all reporting periods.

When measuring expected credit losses, the Bank considers the maximum contractual period after which the Bank is exposed to credit losses.

All contractual terms should be considered in determining life expectancy, including prepayment options and extension and renewal options.

The definition of default by the Bank to assess impairment losses is in line with the guidance of IFRS 9, with no reference to assumptions and consistent with regulatory requirements. The policy of canceling financing transactions remained unchanged.

3. Accounting Policies

- The financial statements of the Bank have been prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, and in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board in matters not covered by the Islamic Financial Accounting Standards and in accordance with applicable local laws and instructions issued by the Central Bank. In this regard, compliance with the criteria in IFRS 1, in particular:
 - All assets and liabilities to be recognized under IFRS are recognized.
 - Non-recognition of items as assets or liabilities if IFRS does not allow such recognition.
 - The reclassification of certain items for the purposes of presentation of the financial position was different from that in the consolidated accounting system as follows:
 - The calculation of the cash account is divided into two sub-accounts: cash and balances with the Central Bank and balances with local and foreign banks
 - Islamic financing account shown in net (after provision for impairment)
 - Separation of banking transactions from customer deposits.
 - IFRS has been applied in the measurement of all recognized assets and liabilities and has not shown any differences from what have been previously applied.
 - The application has included all IFRSs effective standards on 1 January 2017.
 - The shift to international standards did not affect the financial position of the bank, due to the lack of differences in the measurement and simplicity of operations conducted by the bank. Consequently, there have been no increases or decreases in the outstanding equity balances from the previous period.
-
- **Basis of preparation:** The Bank adopts the historical cost convention in the preparation of its financial statements, except for investments in real estate and equity instruments carried at fair value through equity or through income items that are measured at fair value.



- **Currency of the report:** The financial statements are presented in Iraqi Dinars and all values are rounded to the nearest thousand Iraqi Dinars, unless otherwise stated.
- **Foreign currencies:** Transactions denominated in foreign currencies other than the currency of the financial statements are recorded on the basis of the exchange rates prevailing at the dates of the transactions. At the end of each financial period, monetary items denominated in foreign currencies are exchanged at the rates prevailing on the date of the statement of financial position. Non-monetary items denominated in foreign currencies at fair value are re-exchanged at the rates prevailing on the date that the fair value was determined. Whereas non-monetary items that have been assessed on a historical cost basis in a foreign currency are not re-exchanged. Exchange differences are recognized in profit or loss in the period in which they arise. The Bank has adopted the following exchange rates:

	31\12\2020	31\12\2019
The Iraqi dinar exchange rate against the USD	1460	1190

- **Islamic financing assets:** Islamic financing assets are those assets and liabilities arising from fixed or determinable Islamic financing contracts with fixed or determinable payments. These include financing through forms such as Murabaha, Mudaraba, Musharaka, Ijarah, Istisna'a and Salam. Finance assets are accounted for as of the date they arise and are stated at amortized cost less any provision for impairment, if any, and after deferred payment.

Murabaha includes mainly forward sale transactions where the bank buys a commodity (representing the murabaha shop) and then resells it to the profit after calculating a profit margin on the cost. The sale price is paid by the buyer in installments during the agreed period.

Musharaka is a form of capital partnership and is carried at the fair value of the consideration given after any impairment in value, if any. Participation in the capital provided by the Bank is measured in kind (if not cash) at the fair value of the assets provided. If an asset valuation results in any difference between the fair value and the carrying amount, the difference is recognized as profit or loss to the Bank.

Assets acquired for leasing (Ijarah Muntahia Bittamleek) are stated at cost less accumulated depreciation and any impairment in value in accordance with the lease terms. The ownership of these assets shall be transferred to the lessee at the end of the term of the lease provided that all the rent installments are paid. Depreciation is calculated on a straight-line basis at rates that reduce the cost of the assets systematically leased over the lease term.

In the case of speculation, the assets of the financing are the amounts provided by the bank to speculators (speculative money) less any losses realized during the period unless the speculator bears them as a result of negligence and negligence in implementing the terms of the Mudaraba contract.

The assets of Salam Finance are the amounts provided by the Bank in advance for goods received later described in the balance sheet. Receivables are amounts due at the end of the year after any provision for impairment has been made.

Finally, Istisna'a's financing assets consist of amounts provided by the Bank for the manufacture of the agreed upon items after the payment of the payments received from the manufacturer and after a provision for impairment.



- **Investments in securities:** Investments in securities comprise debt instruments carried at amortized cost and equity instruments are stated at fair value through equity. All investments are initially recognized at fair value, which is the amount of consideration paid including direct purchase costs, except for investments carried at fair value through income statement, where acquisition costs are charged to the statement of income.
- **Fair value measurement of financial instruments:** The fair value of investments traded in regulated financial markets is measured by reference to quoted market bid prices at the close of business on the statement of financial position date. For investments that do not have quoted market prices, fair estimates of fair value are determined by reference to the present market value of a similar instrument or the estimated future cash flows. The equivalent cash value of the Bank is determined by the current profit rates of similar contracts in the terms and risk characteristics. Investments classified at fair value through equity The Bank is unable to determine its fair value on an ongoing basis such as investments that do not have an underlying market or other appropriate methods of obtaining fair value that are stated at cost less provision for impairment.
- **Impairment or impairment of financial assets:** At each statement of financial position date, financial assets other than those at fair value through profit or loss are assessed for impairment. Impairment of financial assets is when there is significant evidence that one or more events have occurred after the initial recognition of the asset and that the estimated future cash flows of the investments have been affected. Impairment of assets carried at amortized cost is measured as the difference between the asset's carrying amount and its estimated recoverable amount.
- **Fixed tangible assets:** tangible fixed assets are stated on the historical cost basis after the amortization of the accumulated losses and a loss of impairment or impairment of value, if any. Depreciation is calculated using the straight-line method in the light of the applicable instructions in Iraq and based on the estimated useful lives of the assets concerned, as follows:

Assets Category	Estimated duration of service
Lands	not subject to depreciation
Buildings	50 years
Machinery and equipment	5 years
Transporting and transportation	5 years
Furniture and office appliances	5 years

Profits or losses arising on the disposal of any fixed assets are recognized in profit or loss.

- **Impairment or depreciation of tangible and intangible assets:** At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that the asset has suffered a loss or impairment in value. Estimate the recoverable amount of the asset to determine the extent of the impairment loss. Recoverable value is the higher of fair value less costs to sell and value in use. In determining the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate



that reflects current market assessments of the time value of money and the inherent risks of an asset for which the estimated future cash flows have not been adjusted.

- **Provisions:** Provisions are recognized as a result of an earlier event that establishes a reasonable legal or constructive obligation to the Bank and that it is probable that an inflow of economic benefits will be required to settle the obligation.
- **Current Accounts of Customer:** The Bank does not pay any profits on current accounts to customers. Transactions are measured at the monetary value expected to be achieved and received by the Bank at the date of the transaction. These are measured at their carrying amount at the end of the accounting period.
- **Investment account holders' rights:** Investment accounts include restricted and unrestricted investments received on a Mudaraba or Agency basis, including savings accounts and term deposits. All investment account holders' rights are carried at cost, plus accrued profit and related reserves. Reserves consist of investment risk reserve and profit equalization reserve. The investment risk reserve represents the amounts that have been allocated from the investment account holders' equity after allocating the Mudarib share to cover future expected losses. The profit equalization reserve is an amount allocated from Mudaraba income before the Mudarib share is allocated for the purpose of maintaining a certain level of return on investment.
- **Revenue recognition:** The Bank follows the following policies regarding revenue recognition and recognition:
 - Profit from Murabaha sales is recognized when the income is determinable in the contract and can be calculated at the inception of the transaction. Income is recognized with the time proportion of the transaction. When the income from the contract is undefined or undisclosed, it is not validated unless it has already been verified or verified. The receivable income for accounts in arrears is not included in 90 days or more in the income statement.
 - Mudaraba and Musharaka income is recognized when the right to receive payment or distribution is established by the speculator or partner. The receivable income for accounts in arrears is also not included in 90 days or more in the income statement.
 - Income is recognized in the Ijarah Muntahia Bittamleek contracts after deducting the amortization on a time basis.
 - Income from Salam and Istisna'a contracts is recognized on a time proportion basis when it is determinable and known at the commencement of the transaction.
 - Commission income is recognized when earned.
 - Other income from investments is recognized when the right to receive payments is established.
- **Income in violation of Islamic Sharia:** The bank is to collect revenues from sources contrary to Islamic law in a special account spent for charitable purposes.



- **Zakat (charity):** Zakat is calculated in accordance with the Financial Accounting Standard No. 9 issued by the Accounting and Auditing Organization for Islamic Financial Institutions using the net investment method. Zakat is paid by shareholders and investment account holders themselves.
- **Income Tax:** The Bank calculates income tax in accordance with the provisions of the Income Tax Law No. 113 of 1982 and its amendments, which set the tax rate at 15% of net profit taxable.
- **Going concern:** The management of the Bank has made an assessment of the Bank's ability to continue and is satisfied that it has sufficient resources to continue its business in the foreseeable future and is not aware of any matters that may cause significant doubts about the Bank's ability to continue its activity.
- **Cash and cash equivalents:** Cash and cash equivalents maturing within a period of three months or less, including: cash in bank coffers, balances with the Central Bank, balances with banks and banking institutions, and deposits of banks and banking institutions that mature during the said period and restricted balances.

3. Significant accounting estimates:

In applying the Bank's accounting policies, management should make judgments, make judgments and assumptions about the carrying amounts of assets and liabilities that are not readily disclosed from other sources. These estimates and assumptions are based on past experience and other relevant factors. Actual results are likely to differ from estimates. The Bank reviews its estimates and assumptions on an ongoing basis. Limitations resulting from the adjustment of accounting estimates are made in the financial year in which the adjustment occurs, if the adjustment affects only that year, the year of adjustment and subsequent years if the adjustment affects the current year and subsequent years. Important assessments include:

- Provision for impairment losses on financing provided.
- Determining the fair values of financial assets that do not have a market price.
- Income tax provision.
- Estimated useful lives of fixed assets.
- Impairment of tangible and intangible assets.



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

The details of this item are as follows:

In thousand IQD

Account name	31\12\2020	31\12\2019
Cash in safes/ IQD	30,305,364	30,017,613
Cash in safes / Foreign Currency	36,983,589	3,570,868
Cash with the Central Bank of Iraq	70,473,063	187,761,862
Legal deposits with the Central Bank	4,398,972	10,898,992
Total	142,160,988	232,249,335

5. Cash with banks:

This item consists of the following:

In thousand IQD

Account name	31\12\2020	31\12\2019
Cash with foreign banks	99,373,357	42,720,548
Total	99,373,357	42,720,548

6. Investments:

This item consists of the following:

In thousand IQD

Account name	31\12\2020	31\12\2019
Companies long-term investments (Private sector)	29,949,992	25,000,000
Long-term investments (Public and Private sector)	750,000	750,000
Total	30,699,992	25,750,000



As detailed in the table below

Company's Name	Capital	The legal status of the companies belonging to the bank as on 3/31/2021
Arabia Real Estate Investment Co.	10,000,000	Still in business
Al-Khoyil Agricultural Investments Co	8,000,000	Liquidation procedures are still ongoing with the Companies Registration Department
Arabia Leasing Co.	7,000,000	the Companies Registration Department issuance a decision to liquidate it on 10/20/2020
Arabia Exchange Co.	4,949,992	Established on 15\11\2020
ICDI	750,000	Not owned by the bank
Total	30,699,992	

7. Islamic financing:

Details of this item are as follows:

In thousand IQD

Details	31\12\2020	31\12\2019
A) Granted financing		
Musharakah financing / individuals	15,000,000	42,395,000
Mudaraba financing / individuals	10,000,000	-----
Mudaraba financing / companies	22,340,000	22,340,000
Mudaraba financing / individuals	544,094	549,239
Total	47,884,094	65,284,239
Deducting		
Provision for Musharakah/ Mudaraba financing	1,606,000	1,294,700
Provision for sell/ Murabaha financing	10,984	10,984
Net direct credit facilities	46,267,110	63,978,555
B - Statement of financial position		
Provision for credit impairment (productive debt)		
(1) Musharakah/ Mudaraba transactions		
Opening Balance	1,294,700	2,149,214
Additions during the year *	311,300	114,750
Retriever during the year	-----	969,264
Closing balance	1,606,000	1,294,700
(2) Murabaha transactions		
Opening Balance	10,984	-----
Additions during the year *	-----	10,984
Retriever during the year	-----	-----
Closing balance	10,984	10,984



8. Other assets:

This item consists of the following:

In thousand IQD

Account name	31\12\2020	31\12\2019
Insurance with Other	1,601	530
Affiliate advances	27,580	109,360
Non-current activity receivables	438,000	357,000
Prepaid expenses	87,677	16,570
Total	554,858	483,460

9. Intangible assets:

This item consists of the following:

In thousand IQD

Account name	01\01\2020	Additions	Impairment for the current year	31\12\2020
Establishment expenses	-----			-----
Banking systems and software	268,899	1,243	183,040	87,102
Total	268,899	1,243	183,040	87,102



10. Fixed assets:

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

In thousand IQD

Statement	Lands Thousand IQD	Machinery and equipment	Means of transport	Furniture and fixtures	Improvements Buildings / leased	Total
Balance as of 1/1/2020	10,000,000	155,541	155,071	867,219	3,065,081	14,242,912
Settlements entries		-----	-----	-----	-----	
Additions during the year	----	,8,984	---	20,083	515,000	544,067
Reductions	----	(424)	-----	(2,543)	-----	(2,967)
Balance as at 31/12/2020	10,000,000	164,101	155,071	884,759	3,580,081	14,784,012
Cumulative impairment	-----	67,669	77,036	385,735	1,059,037	1,589,477
Adding current year's impairment	-----	31,675	31,014	174,501	946,935	1,184,125
provision balance 31/12/2020	----	99,076	108,050	559,498	2,005,973	2,772,597
Book Value 31/12/2020	10,000,000	65,025	47,021	325,261	1,574,108	12,011,415
Book value 31/12/2019	10,000,000	87,872	78,035	481,484	2,006,044	12,653,435

11. Undergoing projects:

The details of the said item are as follows:

In thousand IQD

Account name	31/12/2020	31/12/2019
Undergoing projects / Buildings and Facilities	8,000,000	8,515,000
Undergoing projects / Systems and programs	10,585	-----
Total	8,010,585	8,515,000



12. Banks deposits:

The details of the said item are as follows:

In thousand IQD

Account Name	31\12\2020	31\12\2019
Current accounts payable Financial sector	30,356,358	-----
Total	30,356,358	-----

13. Customer deposits of a current nature:

The following table details the customer deposit accounts:

In thousand IQD

Account name	31\12\2020	31\12\2019
Current accounts payable Private sector / companies	52,055,635	114,732,849
Current Accounts Payable Private Sector / Individuals	3,935,358	1,024,573
Savings Accounts	129,537	64,950
Checks in order of	50,000	16,800
Amount received for registration of companies	15,000	10,015,000
Deposits for undertaking companies' shares	-----	10,000,000
Total sum	56,185,530	135,854,172

14. Borrowing:

In thousand IQD

Account name	31\12\2020	31\12\2019
long term loans (SMEs)	498,333	825,000
Total	498,333	825,000

15. Cash Insurance:

In thousand IQD

Account name	31\12\2020	31\12\2019
Letter of guarantee insurance	1,813,851	287,651
Total	1,813,851	287,651

16. Other liabilities:

The following are details of other liabilities:

In thousand IQD

Account name	31\12\2020	31\12\2019
Other liabilities	54,344	75,878
Due payments	146,041	32,392
Total	200,385	108,270

17. Provisions:

In thousand IQD

Statement	31\12\2020	31\12\2019
Provision for exchange rate fluctuations	183,000	-----
Provision for liability risk	33,778	8,278
Allocations of cash differences	357,000	357,000
Provision for tax	26,873	28,787
Total	600,651	394,065

18. Operations off the balance sheet (Possible commitments and obligations)

The table below detail the possible commitments and obligations off the balance sheet:

In thousand IQD

Statement	For the fiscal year ended at 31\12\2020	For the fiscal year ended at 31\12\2019
Local Letters of Guarantee	2,027,258	701,591
Total	2,027,258	701,591
Deducting: Insurances	1,813,851	287,651
Net of Liabilities	213,407	413,940

19. Income from Islamic finance:

In thousand IQD

Account name	31\12\2020	31\12\2019
Murabaha Income - Individuals	36,711	36,647
Mudaraba income - Individuals	200	605,160
Mudaraba Income - Companies	-----	925,140
Total	36,911	1,566,947



18. Income from commissions and bank fees:

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

In thousand IQD

Account name	For year ended at 2019/12/31	For year ended at 2018/12/31
Local transfer commissions	515	367
Foreign transfer commissions	39,772	620
Westin Union Money Transfer Commission	67,658	19,634
Fees for local letters of guarantee	43,957	11,078
CBI commissions (SMEs)	1,365	---
Other bank commissions	6,154	64,878
Various bank commissions	14,463	61,978
Commission of the issuance of cheque books	645	569
SWIFT invoices fees	13,030	
Commission of the issuance of checks in order of	101	-----
Total	187,660	159,124

B – Deducting bank's payed charges:

In thousand IQD

Account name	For year ended at 31/12/2020	For year ended at 31/12/2019
Bank operations commissions (Local banks)	45,173	89,647
Bank operations commissions (Foreign banks)	998	976
Expenses paid (investment / savings accounts)	546	-----
Total	46,717	90,623

Net income from commission and bank fees	140,943	68,500
--	----------------	---------------





21. Profits from buying \ selling foreign currencies:

The following is a table details the item in question:

In thousand IQD

Account name	For year ended at 31\12\2020	For year ended at 31\12\2019
Revenue from sale and purchase of foreign currencies	3,930,298	2,007,827
Total	3,930,298	2,007,827

22. Miscellaneous bank income:

The following is a table detailing the item in question:

In thousand IQD

Account name	For year ended at 31\12\2020	For year ended at 31\12\2019
Miscellaneous services and SWIFT	700	32,563
Sales and publications	679	4,888
Debts allocations (Bad debts)	----	958,280
Other income	---	2,641
Total	1,379	998,372

23. Employees' salaries and the like:

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

In thousand IQD

Account name	For year ended at 31\12\2020	For year ended at 31\12\2019
Wages	330,090	333,124
Wages for employees not included in social security program	17,800	-----
Professional and technical provision	78,791	140,967
Family provision	60,228	93,978
Compensatory provision	150,592	234,946
Overtime fees	549	1,140
Rewards	28,004	104,975
Contribution to social security	38,877	39,930
Direct deductions/ employees	-----	292,006
Total wages of employees in the bank	704,931	1,241,066
Add other staff costs:		



Transfer of employees	2,450	5,204
Transport for training	1,346	21,329
Subsidies for associates	-----	4,700
Equipment for associates	-----	1,200
Training	7,854	19,899
Total	716,581	1,293,398

22. Operating expenses:

The following is an analytical table of administrative and general expenses:

In thousand IQD

Account name	For year ended at 31\12\2020	For year ended at 31\12\2019
Fuel and oil	21,580	15,115
Supplies and Equipment	30,972	32,510
Stationery	4,883	5,931
Water and electricity	27,291	32,241
Maintenance of buildings and facilities	530	3,674
Maintenance of machinery and equipment	6,549	4,827
Maintenance of transport vehicles	1,211	3,691
Maintenance of furniture and office equipment	250	670
Maintenance of Systems and Programs	90,724	64,435
Maintenance of tools and Molds	-----	1,012
Services and Consulting	-----	42,543
Advertising	205	8,711
Publishing and printing	4,450	9,631
Hospitality	4,785	14,023
Celebration	2,168	6,385
Rewards for non - workers	8,495	14,005
Conferences and seminars	29,055	-----
Communications	82,071	83,148
Goods transport	393	1,491
Rental of buildings and facilities	117,535	114,869
Subscriptions	127,244	167,091
legal services	24,814	56,972
Banking Services	22,245	9,004
Audit fees	----	3,400
Other Monitoring fees	2,400	3,000
Auditor fees	30,000	30,000
Other expenses	-----	2,825



Other service expenses	18,802	72,100
Total	658,652	803,334

25 - Depreciation and impairments:

In thousand IQD

Account name	For year ended at 31\12\2020	For year ended at 31\12\2019
Impairment of machinery and equipment	31,675	30,642
Impairment of Vehicles	31,014	31,014
Impairment of Furniture and office appliances	174,501	169,262
Impairment of Buildings improvements / leased	946,935	257,712
Depreciation of intangible assets	183,040	1,256,677
Total	1,367,165	1,745,307

26. Taxes and fees:

This item consists of the following:

In thousand IQD

Account name	For year ended at 31/12/2020	For year ended at 31\12\2019
Taxes and fees	144,067	105,271
Total	144,067	105,271

27. Risk of Commitments/ Cash Equivalents:

In thousand IQD

Account name	For year ended at 31/12/2020	For year ended at 31\12\2019
Risk of Commitments/ Cash Equivalents	336,800	8,279
Total	336,800	8,279

28. Risks of exchange rate fluctuations:

In thousand IQD

Account name	For year ended at 31/12/2020	For year ended at 31\12\2019
Risks of exchange rate fluctuations	183,000	-----
Total	183,000	-----



29. Other expenses:

This item consists of the following:

In thousand IQD

Account name	For year ended at 31/12/2020	For year ended at 31/12/2019
Expenses of previous years	-----	28,130
Donations	100,000	1,000
Compensation and fines	150,404	175,992
Special service expenses	93,810	97,104
Capital losses	737	-----
Total	344,951	302,226