



Financial Budget and Financial Statements for the Fiscal Year Ending on Dec. 31, 2022

M.SHKARA Co. & Partners for Monitoring and Auditing of Accounts

Baghdad\ Karada – Opposite to Warda Market Mobile: 07707184019 Email: mwmw.shkara@gmail.com



Contents:

Contents	2-2
Chairman of Board of Directors Address	3-4
Board of Directors Report	5-19
Annual Corporate Governance Report	20-26
Sharia Committee report	27-29
Auditing Committee Report	30-32
Independent Auditors Report	33-47
General Budget	48-73
- Financial Position	49-49
- Statements of Profit\ Losses and Comprehensive Income	50-50
- Statement of Change in Equity	51-51
- Statement of Cash Flows	52-52
- Explanations Pertaining to the Financial Statements	53-73

المترجم القانوني المعتمد
ياسر محمود خضير
عضو جمعية المترجمين العراقيين
Sworn Certified Translator
YASIR MAHMOOD KHUDHAIR
07709644446
Member Of ITA Card No . 5374



**Chairman of Board of Directors
Address for the Fiscal Year
Ending on Dec. 31, 2022**


المترجم القانوني المعلن
ياسر محمود خضير
عضو جمعية المترجمين العراقيين
Sworn Certified Translator
YASIR MAHMOOD KHUDHAIR
07709644446
Member Of ITA Card No . 5374

(In the name of Allah, the most gracious, the most merciful)

Chairman's of Board of Directors Address

On behalf of myself and on behalf of my fellow members of the Board of Directors, I am pleased to welcome you all and thank you for accepting the invitation to attend the meeting of the General Assembly to discuss the annual report of Arabia Islamic Bank for the year ending on Dec. 31st 2022, including the financial statements of the bank and the most prominent achievements that have been achieved and future goals. The report came in compliance with all laws, regulations, and instructions of the regulatory authorities, including the rules of corporate governance regarding disclosure, transparency, and the application of international financial reporting standards.

Valued shareholders,

The year 2022 witnessed many changes in the Iraqi economy in general and in the banking sector in particular, starting with the rise in the exchange rate of foreign currency and the rise in the prices of assets and all imported goods and other products, which led to a change in the course of transactions in the Iraqi market and most companies and merchants went to banks to complete their financial transactions. This reflected positively on the bank's work in terms of the increase in the activity of banking operations and the continuous increase in the number of customers coming to deal with the bank. In addition, our bank started practicing various banking services and products, including activating the Central Bank's initiative for small and medium enterprise loans, housing loans and car Murabaha Financing.

In order to improve the various banking activities to keep pace with the progress in the banking business, the Board of Directors has 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 goals of financial inclusion. The bank has entered into a contract with Arab Co. for Electronic Payments (APS) on 30/11/2021 for the purpose of issuing international Visa cards, as well as management, monitoring of ATMs and POS. We hope that the year 2023 will be a new start for the bank in providing all distinguished electronic services.

It should also be noted the results of the hard work of all the bank's employees and senior management by achieving an advanced assessment of the bank's activities by the auditing committees that supervise the work of banks in an official manner through compliance with all instructions of the Central Bank of Iraq and equipping the bank's departments with advanced systems to carry out business in an electronic and sophisticated manner, in addition to diversifying the services and products provided to customers and working on developing them to reach the best results.



In addition to improving the internal control environment, activating corporate governance procedures, developing the human resources, developing electronic systems, diversifying the composition of banking activities and revenues, and we hope that the bank will achieve good growth in business volume and excellent profits that are equal to or better than the average profits of Iraqi counterpart banks.

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

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

(Signed)

AHMED ABDULMAJEED JOMA
Chairman of the Board of Directors



The Board of Directors Report about the bank's activity for the year ending on 31/12/2022

We present to you the comprehensive report of the Board of Directors on the Bank's activities and work for the year ending on 31/12/2022, which was prepared in accordance with the provisions of Articles (117) and (134) of the Companies Law No. (21) of 1997 as amended, and the instructions of the accounting system for companies No. (1). for the year 1998.

First: An introductory brief about the bank

The founding of Arabia Islamic Bank dates back to 2015, when the registration procedures were completed according to the Companies Registration Department letter No. 605 on 11/01/2016 with a capital of (100) billion Iraqi dinars, and the bank was granted a license to practice banking business according to the letter of the Central Bank of Iraq No. 9/3/9846 on 20/06/2016, by offering new shares at a value of (150) billion Iraqi dinars for undertaking in accordance with the provisions of Article 56/Fourth of the Companies Law, and the necessary legal procedures have been completed with the Registrar of Companies according to their letter numbered in the number C/H/2/23339 on 07/12/2016.

Second: Bank's Vision

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

Third: Bank's Message

- We strive to achieve excellence in everything we do.
- We seek to be a partner in providing a comprehensive range of high-level 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 strive to be the preferred interface for job seekers by enabling our employees to achieve success with merit, so that this success is a reflection of their high professionalism, leadership skills, collective efforts and entrepreneurial spirit.
- We aim to be a leading bank among our peers by applying international best practices in line with the specificity of the local market.

Fourth: Bank's Objectives

- In general, the bank aims to achieve the following:
 1. Contributing to economic development in building Iraq within the framework of the general policy of the country 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, the instructions of the Central Bank of Iraq and companies' laws in force.

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

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

– The objectives of the bank 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\ 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 convert to systems that contribute to reducing carbon emissions in several sectors as follows:

1. Moving from current energy sources to renewable sources of energy production.
2. Food production Systems.
3. Transportation.
4. Industry.
5. Agriculture.
6. Technology.

Fifth: General budget for 2022

1. Assets

The total assets within the budget (financial position) at the end of 2022 amounted to (259,729) million IQD, compared to 2021, when the total assets amounted to (268,101) million IQD. The following is the composition of the assets items:

No.	Assets	Thousand IQD	%
1.	Cash and Balances at the Central Bank of Iraq	169,243,704	65 %
2.	Balances with Foreign Banks	3,057,439	1 %
3.	Islamic Deposit Certificates (Bonds)	9000,000	3.4 %
4.	Gold	3,390	0.001 %
5.	Investments	56,534,337	22 %
6.	Islamic Financing (Net)	2,123,117	0.8 %
7.	Other Assets	870,751	0.3 %
8.	Fixed Assets (Net)	18,599,618	7 %
9.	Intangible Assets	297,163	0.1 %
	Total	259,729,519	100 %

A. Liquid balances

Cash liquidity is important in banks because it measures the extent of the bank's ability to meet its various obligations, including requests for cash withdrawals from customer deposits at any



time. Therefore, banks should always be ready to provide appropriate liquidity without negatively affecting their activities and objectives, and perhaps the most important The liquidity elements of any bank is the cash available in its vaults and the balances with foreign banks and with the Central Bank of Iraq and other banks. The cash balance at the end of 2022, and the balances with foreign banks amounted to about (172,302) million IQD, or 66 % of the total assets, while it reached at the end of 2021 (186,563) million IQD, or 69% of the total assets.

B. Investments

The net investment balance amounted to (56,534,337) thousand IQD as of 31/12/2022, i.e. 22% of the total assets, of which (39,000,000) thousand IQD represents the balance of (Musharaka) and constitutes 15% of the bank's capital. The bank's management is moving towards further expansion of investments and the addition of new Islamic products.

C. Bank contributions

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

2. Liabilities and equity

- The bank's total deposits of all kinds amounted to (11,409) million Iraqi dinars at the end of 2022, which constitutes 63% of the total liabilities amounting to (17,997) million Iraqi dinars, and constitutes 4% of the total liabilities and equity amounting to (259,729) million Iraqi dinars.
- As for equity amounting to (241,732) million Iraqi dinars, it constitute 93% of the total liabilities and equity.

No.	Liabilities and Equity	Thousand IQD	%
1	Deposits	11,409,827	4 %
2	Long-term Loans	3,024,997	1 %
3	Cash insurances	2,345,335	0.9 %
4	Other Liabilities	406,891	0.1 %
5	Allocations	810,278	0.3 %
6	Equity	241,732,191	93 %
	Total	259,729,519	100 %

Sixth: Bank branches

The bank's management has adopted a plan to expand its operations by opening of new branches for the bank in some Iraqi governorates, where Erbil branch was opened in 2018 and

Kirkuk in 2019. Other branches will be opened in the coming years, after gaining the approval of the Central Bank of Iraq, noting that the number of current bank branches is (5), three of which are within Baghdad. The main branch, Al-Rasheed branch, Al-Karrada branch (which has been merged with the main branch currently according to the approval of the Central Bank of Iraq in their letter numbered 9/3/973 on 17/01/2021) as well as two branches outside Baghdad, Kirkuk branch and Erbil branch. As shown in the table below:

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

Seventh: Information of the members of the Board of Directors, committees emanating from the Board of Directors, shareholders, members of the Sharia Supervisory Board

1. Original members of the Board of Directors

No.	Name	DOB	Position	Appointment date	Number of Shares	Qualification
1	AHMED ABDULMAJEED JOMA	1965	Chairman of the BOD	09/09/2016	2000	Bs.c of Economy and Management (Statistics)
2	HUDA ABDULWAHAB HASAN	1957	Vice Chair of the BOD	09/09/2016	2000	Bs.c of Economy and Management (Economic Science)
3	DURAIID YASEEN HAMDA	1974	CEO	09/09/2016	2000	Bs.c of Economy and Management (Marketing Science)
4	ABDULMUNEM MAHDI SALEH	1967	Member	09/09/2016	24,750,000,000	Bs.c of Economy and Management (Business Administration)
5	HAYDER AKRAM MOHAMMED ALI	1980	Member	09/09/2016	2000	Bs.c of Economy and Management (Economics)
6	AHMED JALEEL AMEEN	1965	Member	20/06/2021	2000	Bs.c Computer Science
7	BAKR RAAD ALI	1981	Member	20/06/2021	2000	Industry School Diploma

Clarification: The original chairman and members of the Board of Directors, sequence no. 1 to 5, and the alternate members, sequence no. 1 to 7, were re-elected, based on the approval of the Central Bank of Iraq to re-appoint them by the letter numbered 9/3/11687 on 20/06/2021.

2. Alternate members of the Board of Directors

No	Name	DOB	Position	Appointment Date	Number of Shares	Qualifications
1	AZHAR MUAJED AHMED	1985	Member	09/09/2016	2000	Bs.c of Economy and Management
2	JIHAD MOHAMMED ALI KHORSHEED HUSSEIN	1961	Member	20/06/2021	2000	Bs.c Business Administration
3	BAN DARWEESH FERAI KHAIR HADAD	1973	Member	20/06/2021	2000	Bs.c Business Administration
4	BAN READ SADIQ	1976	Member	20/06/2021	2000	Upper-Secondary School
5	IBRAHIM NOORULDEEN IBRAHIM	1967	Member	20/06/2021	2000	Bs.c of Social Science
6	MUJEEB HAMEED MAJEED	1971	Member	20/06/2021	2000	Bs.c of Industrial Management
7	ADNAN FAISAL ABBAS	1970	Member	20/06/2021	2000	Bs.c of Economy and Management (Accounting)

3. Other details of the members of the Board of Directors

No.	Name	Rewards	Other Bank Facilities	Membership in other companies' Boards	Transactions between the member and bank affiliates	Independency
1	AHMED ABDULMAJEED JOMA	15,000,000	None	None	None	Independent
2	HUDA ABDULWAHAB HASAN	10,000,000	None	None	None	Independent
3	DURAIID YASEEN HAMDA	10,000,000	None	None	None	Dependent
4	ABDULMUNEM MAHDI SALEH	10,000,000	None	None	None	Dependent
5	HAYDER AKRAM MOHAMMED ALI	10,000,000	None	None	None	Independent
6	AHMED JALEEL AMEEN	10,000,000	None	None	None	Independent
7	BAKR RAAD ALI	10,000,000	None	None	None	Independent

4. Board meetings and attendance

No.	Board Members	Number of Meetings	Attendance
1	AHMED ABDULMAJEED JOMA	7 Meetings	Attended all meetings
2	HUDA ABDULWAHAB HASAN	7 Meetings	Attended all meetings
3	DURAIID YASEEN HAMDA	7 Meetings	Attended all meetings
4	ABDULMUNEM MAHDI SALEH	7 Meetings	Attended all meetings
5	HAYDER AKRAM MOHAMMED ALI	7 Meetings	Attended all meetings
6	AHMED JALEEL AMEEN	7 Meetings	Attended all meetings
7	BAKR RAAD ALI	7 Meetings	Attended all meetings

5. Membership information of the members of the Board of Directors in the Board committees

No.	Name	Committee Membership	Appointment date	Number of Meetings	Attendance
1	AHMED ABDULMAJEED JOMA	Chairman of Governance Committee	11/07/2021	3	Attended all meetings
2	HUDA ABDULWAHAB HASAN	Chairwoman of Auditing Committee	11/07/2021	6	Attended all meetings
3	DURAIID YASEEN HAMDA	Member of Nomination and Rewards Committee	11/07/2021	2	Attended all meetings
4	ABDULMUNEM MAHDI SALEH	Chairman of Nomination and Rewards Committee	11/07/2021	2	Attended all meetings
5	HAYDER AKRAM MOHAMMED ALI	Chairman of Risk Committee Member of Governance Committee Member of Auditing Committee	11/07/2021	2 Risk Committee 3 Governance Committee 6 Auditing Committee	Attended all meetings Attended all meetings Attended all meetings
6	BAKR RAAD ALI	Member of Governance Committee	11/07/2021	3	Attended all meetings
7	AHMED JALEEL AMEEN	Member of Risk Committee	11/07/2021	2	Attended all meetings

6. The names of the shareholders who own 1% or more of the shares and the names of the shareholders who own 5% or more of the bank's shares

No.	Shareholder Name	Nationality	DOB	Address	Number of Shares	%
1	ABDULMUNEM MAHDI SALEH	Iraqi	1967	Erbil - Iraq	24,750,000,000	9.9%
2	MOHAMMED HABEEB HUSSEIN AL-MULA	Iraqi	1967	Baghdad - Iraq	24,750,000,000	9.9%
3	MUSTAFA ABDULMUNEM MAHDI	Iraqi	1996	Erbil - Iraq	24,750,000,000	9.9%
4	MUHANAD HABEEB HUSSEIN AL-MULA	Iraqi	1970	Baghdad - Iraq	24,750,000,000	9.9%
5	MARIAM MOHAMMED HABEEB AL-MULA	Iraqi	1997	Baghdad - Iraq	24,750,000,000	9.9%
6	WASAN HASAN ALI AL-KALAB	Iraqi	1968	Erbil - Iraq	24,750,000,000	9.9%
7	ALAA HABEEB HUSSEIN AL-MULA	Iraqi	1964	Baghdad - Iraq	13,000,000,000	5.2%
8	MANARIS AHMED SALIH	Iraqi	1967	Samara - Iraq	12,999,997,000	5.2%



9	SAMIR AHMED MAHDI AL-ABAASI	Iraqi	1974	Baghdad – Iraq	12,999,997,000	5.2%
10	SARA MUHANAD HABEEB AL-MULA	Iraqi	2004	Baghdad – Iraq	12,568,318,666	5%
11	HASANIN MUHANAD HABEEB AL-MULA	Iraqi	2002	Baghdad – Iraq	12,568,320,667	5%
12	SAJAD MUHANAD HABEEB AL-MULA	Iraqi	2001	Baghdad – Iraq	12,568,320,667	5%
13	AZAD ABDULJABAR ABDULQADIR ALI	Iraqi	1964	Baghdad – Iraq	8,250,000,000	2%
14	AKRAM ABDULJABAR ABDULQADIR ALI	Iraqi	1971	Baghdad – Iraq	8,250,000,000	2%
15	SALAH HUSSEIN GATHEEB AL-RUBEI	Iraqi	1968	Baghdad – Iraq	8,250,000,000	2%

7. Members of the Sharia Supervisory Board:

No.	Name	Position	Appointment Date	Qualification	Number of Meetings	Attendance
1	FAROUQ SHALTAG MAHDI	Chairman of Sharia Committee	09/09/2016	Ms.c of Fiqh and Its Origin	6	Attended all meetings
2	ABDULQADER MAHDI SALIH	Member	09/09/2016	Ms.c of Fiqh and Its Origin	6	Attended all meetings
3	AHMED SALEH HUSSEIN	Member	09/09/2016	Bsc Accounting	6	Attended all meetings
4	ALI SALIM SALMAN	Member	07/06/2021	MBA	6	Attended all meetings

Clarification: The members of Sharia Supervisory Board were re-elected at the meeting of the General Assembly of the Bank on 29/07/2022, and the Central Bank of Iraq – Banking Control Department was informed of the minutes of the meeting in our letter numbered 1/3/914 on 08/08/2022, and the correspondence is still continuing with the Central Bank to obtain the necessary approval.

Eighth: Salaries and wages

The balance of salaries, wages and bonuses paid to employees during the year 2022 amounted to about (904,942) thousand IQD, noting that the bank's management has adopted a policy of continuously improving the standard of living for its employees, and the number of bank employees at the end of the year has become (68) employees, and the following is a table with the names of five employees who received the highest salary during 2022:

No.	Employee name	Position	Place of Work
1	DURAIID YASEEN HAMDAN	CEO	Head Office
2	ALI HUSSEIN JEBUR	Vice CEO	Head Office
3	MUSTAFA ABDULKAREEM OLEIWI	Vice CEO	Head Office
4	DASHTI ABDULLAH MOHAMMED	IT Manager	Head Office
5	HIBA RIDAH MAHDI	Compliance Manager	Head Office

Ninth: Classification of employees

1. Classification of employees according to job titles as on 31/12/2022

No.	Job Title	No. of Employees
1	CEO	1
2	Vice CEO	2
3	Board of Directors Undersecretary	1
4	Department Manager – Compliance Monitor – AML/CFT Reporting Manager	13
5	Branch Manager	5
6	Department Asst. Manager – Safe Officer	6

7	Branch Asst. Manager	1
8	Unit Officer	2
9	Employee	37

2. Classification of employees according to educational attainment as on 31/12/2022

No.	Educational Attainment	No. of Employees
1	Master's Degree	3
2	Bachelor's Degree	51
3	Diploma	4
4	Upper-Secondary School	7
5	Lower-Secondary School	1
6	Primary School	2

3. Administrative activity

Human Resources Development: The Board was keen to develop the human resources by involving them in a series of training programs in various fields and specializations related to banking business in order to enhance the capabilities, skills and efficiency of the bank's employees. We include below a table showing the number of training courses and the number of participants for 2022:

No. of Training Courses	Inside Iraq	Outside Iraq	No. of Trainee
59	59	-	134

Tenth: Other matters

– Capital adequacy

The bank adheres to the Central Bank's instructions regarding calculating the capital adequacy ratio, as it amounted to (866%) as of 31/12/2022, noting that the minimum percentage, according to the instructions of the Central Bank, is not less than 12%.

– Tax

The bank accounts for its activities annually with the General Commission for Taxes.

– Lawsuits and Pending Cases

There are no legal lawsuits filed by third parties against the bank and there is one lawsuit filed by the bank against third parties regarding the theft of \$300,000 US dollars by one of the associates from previous years, noting that an allocation was taken for this theft for precautionary purposes.

– AML\ CFT Reporting Department

AML\ CFT Reporting Department monitors the bank's activity in accordance with the laws and instructions issued by the Central Bank of Iraq to prevent the occurrence of money laundering and terrorist financing operations, in implementation of the Anti-Money Laundering and Terrorist Financing Law No. 39 of (2015) and the recommendations issued by The Financial Action Task Force (FATF), where the department submits monthly and quarterly reports on cash banking

operations for amounts that exceed (10) Ten thousand US dollars or its equivalent in Iraqi dinars, as well as on all types of incoming and outgoing foreign transfers to the Board of Directors, the Central Bank of Iraq and the AML\ CFT Office.

In addition to the quarterly reports on the activities assigned to the department, as well as reporting cases of suspected money laundering operations to the competent authorities (AML\CFT Office), the department has paid great attention to this issue and focused on the issue of training employees through participation in Training courses and workshops to combat money laundering and terrorist financing inside Iraq, and the bank has been equipped with electronic programs and systems necessary for this purpose, as described in Article thirteen: Electronic Systems.

– Sharia Compliance and Compliance Monitoring Department

The Board made sure that the Sharia Compliance and Compliance Monitoring Department performed the tasks and duties assigned to it to monitor the bank's compliance with the laws, instructions and regulations issued by the Central Bank of Iraq and the extent to which policies and procedures approved by the Board of Directors were applied, and to review the policies and procedures of all departments to ensure their consistency with laws and instructions. In order to boost the role of this department, the Compliance Monitor enjoys independence through its direct association with the Board of Directors. The department also submits quarterly reports to the Central Bank of Iraq - Banking Control Department, and copies thereof to the Board of Directors, showing the extent of compliance of the bank in following the laws and instructions, and highlighting issues of non-compliance for the purpose of correcting them and applying the highest standards of compliance in our bank.

– Risk Management Department

Risk management can be defined as the process of identifying, analyzing, measuring and evaluating risks, monitoring potential events and conditions, and providing management with everything that would pose a threat to achieving goals for the purpose of controlling and reducing risks facing the bank or institution. It can also be defined more accurately as the administrative activity that aims to control risks and reduce it to acceptable levels.

The Bank's strategy is based on defining the principles and criteria that must be followed to assess the risks to which the Bank's activities are exposed by creating a framework for policies and procedures related to (financing and investment risks, operational risks, risks of non-compliance with the decisions of the Sharia Board, environmental and social risks, and other risks), where the Risk Management Department prepares periodic reports on the risks that all departments and branches are exposed to, the most important financial ratios and indicators, and the work carried out by the department during the reporting period. Reports are sent to the Risk Management Committee and then to the Board of Directors to give appropriate directions to mitigate those risks.

The department also uses one-variable scenarios when conducting stress tests, where the impact of each variable on the financial position of the bank is studied, assuming the stability of other variables, with the aim of assessing the sensitivity of the bank's financial position to a particular variable without the other variables.

As part of this process, the department determines the acceptable risk level for the bank based on the bank's policy and strategy approved by the Board of Directors, and thus monitors the risks to which the bank is exposed and compares them with the ratios established for the acceptable risk level (Risk Appetite) and determines the reasons for exceeding them and submitting the violations to the Board of Directors to take action, appropriate decisions, in addition to determining the adjustments that must be made to the level of acceptable risks based on changes, emergency conditions, and work requirements.

The three lines of defense in the bank

Fist Line (Business Units)	Second Line (Risk Management)	Third Line (Internal Auditing)
<ul style="list-style-type: none"> • Reporting of events • Operational risk management. • Risk management participation in the periodic assessment of risks. • Promoting a risk culture and promoting risk-informed decision-making. 	<ul style="list-style-type: none"> • Developing risk management policies and monitoring acceptable risk limits. • Analysis and compilation of results. • Review the risk self-assessment. • Awareness and promotion of risk culture and advice. 	<ul style="list-style-type: none"> • Testing the application of policies and strategies. • Give reasonable assurance about the effectiveness of risk management. • Test and verify risk procedures. • Follow the risk-based audit

- The first line of defense and Business units

The business units represent the first line of risk defense, given that the business units know well the nature of their work, the risks they may be exposed to, the extent to which they are accepted, and according to the accepted risk policy approved by the Board of Directors to achieve the goals set in accordance with the strategic plan of the bank.

- Second line of defense (risk management)

Where the risk management department develops a policy of acceptable limits for risks, while identifying, measuring and monitoring risks.

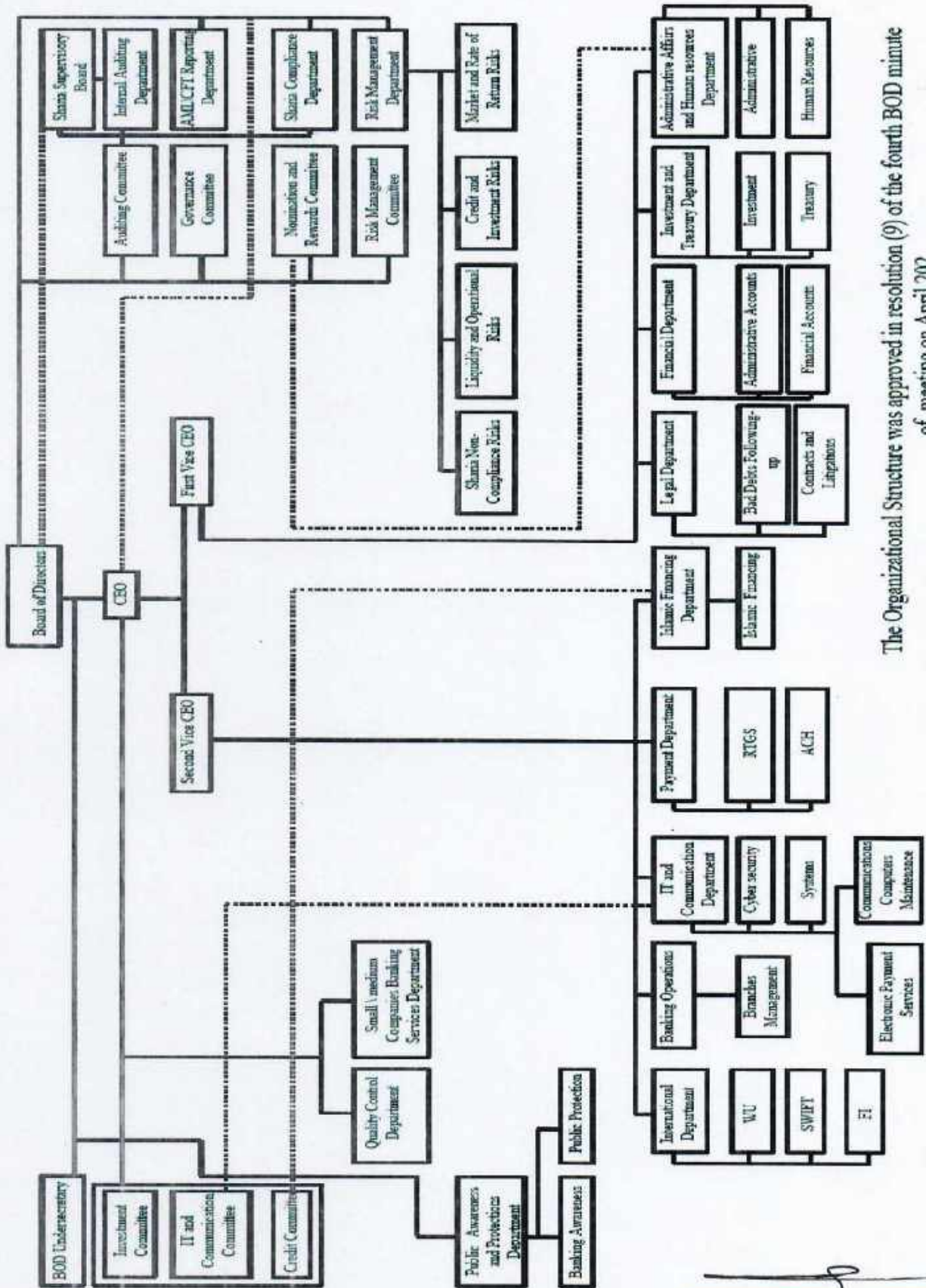
- The third line of defense is audit management

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

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

Eleven: Bank's Organizational Structure

Based on the Corporate Governance Guide for banks issued by the Central Bank of Iraq, the updated organizational structure of the bank for 2022 was approved, which defines the authorities and responsibilities for all levels, so as to ensure clarification of the limits of powers and responsibilities for each level, and the separation of functions. Below is the model of the organizational structure of the bank for 2022.



The Organizational Structure was approved in resolution (9) of the fourth BOD minute of meeting on April 202

المترجم القانوني المحلف
ياسر محمود خضير
عضو جمعية المترجمين العراقيين
Sworn Certified Translator
YASIR MAHMOOD KHUDHAIR
07709644446
Member Of ITA Card No. 5374

Twelve: Summary of the activities of the committees emanating from the Board of Directors

No.	Committee name	Number of Meetings
1	Governance Committee	3
2	Nominations and Rewards Committee	2
3	Risk Management Committee	2
4	Auditing Committee	4

1. Governance Committee

The Governance Committee held three meetings during 2022, which included the following:

- Forming a work team 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 performance card aspects.
- View the minutes of the committees emanating from the Board and the Executive Management and the observations made therein.

2. The Nomination and Rewards Committee

The Nomination and Rewards Committee held two meetings during 2022, which included the following:

- Discussing the decisions of the appointments and promotions committee.
- Nominating employees to occupy positions in the bank's departments.

3. Risk Management Committee

The Risk Management Committee held two meetings during 2022, which included the following:

- Discussing the observations contained in the risk management report for 2022.
- View the results of the stress tests report for 2022.
- Review the strategy for managing operational risks.
- View the policy for managing operational risks.
- View the statement of acceptance of operating risks and the objective limits of operating losses.
- View the updated organizational structure of the Risk Management Department.

4. Audit Committee

Based on the governance guide issued by the Central Bank of Iraq, the Audit Committee held four meetings during 2022 after reviewing all the bank's departments, and they included the following:

- Informing the committee of the updated organizational structure for 2022.
- 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.
- View the consolidated report of the AML/CFT Reporting Department.
- The committee reviewed the reports of the Risk Management Department.
- The committee reviewed the reports of the Sharia Compliance and Compliance Monitoring Department.
- The committee reviewed the data of the financial department and all financial ratios and compared them with previous ratios.

Thirteen: The banking systems used by the bank

No.	System name
1	Core Banking System
2	Online Banking System
3	Mobil Banking System
4	Credit Inquire System (CBS)
5	Credit System (CBS Online)
6	AML System Daily Transaction Monitoring and Suspected Transactions
7	World Check System Sanctions List
8	RBA System Sanctions List
9	Banking Communication Network (Optical Cable)
10	Hosting and Designing the bank website
11	Managing and Issuing Electronic Cards
12	Central Fingerprint System
13	ATMs
14	Electronic Cards System
15	Smart Clear System
16	Bank's Emails Hosting System
17	Kaspersky System
18	Laser Fiche Archiving System
19	Microsoft Import and Operating System
20	Western Union System
21	FATCA System
22	Clear-House and Transactions Settlement (Buna)
23	Q-System
24	Islamic Deposits Certificates (Bonds) CSD
25	SWIFT System
26	LG Platform System
27	Print Server System
28	Access Control for Server's Room
29	Alarm System
30	ESXI System for Virtual Servers Monitoring
31	goAML System
32	CBS for Accounts Registrations

Fourteen: Methodologies used to attract time deposits

Based on the supervisory and oversight role of the Central Bank of Iraq and according to letter No. 9/3/80 on 20/02/2019, which included the endeavor of Islamic banks to reach the ratio of the standard for term deposits, which should not be less than 30% of the total liabilities, so the bank management sought to provide products And new banking services compatible with Islamic Sharia to support the process of financial inclusion and reach an advanced percentage of the standard of term deposits, as follows:

1. Expanding the issuance of letters of guarantee through the adoption of time deposits as cash guarantees for these guarantees.

2. Providing banking facilities by guaranteeing investment deposits and salaries.
3. Exempting savings accounts from fees and commissions, in addition to stopping collecting fees and commissions for specific periods, on the occasion of Arab Day for Financial Inclusion, which may extend to three months.

Fifteen: Contracts concluded with third parties

No.	Contracts with Third-Parties for 2021
1	Mobile banking operating system with ICSFS
2	Sell of Credit Inquire System (CBS) with ICSFS
3	CBS online with ICSFS
4	World Check System for Sanctions Lists with Refinitiv
5	RBA System for Risk Assessment
6	Managing and Issuing VISA Electronic Cards with APS
7	Laser Fiche Archiving System with IBTS
8	Security protection contract with Jannat Al-Iraq Co. for guarding and protection – Kirkuk Branch
9	Security protection contract with Manager Co. for guarding and protection – Erbil Branch
10	FATCA Services Contract with Prototype
11	Buna cross-border and multi-currency payment system
12	Mashriq Co. Contract for Internet Services
13	Contract with Account Auditing and Monitoring with Mufaq Shekara and Partners Co.
14	Capital Intelligence for Credit Rating
15	goAML System Contract with ICSFS
16	CBS System for Accounts Registration with ICSFS
17	Importing ATMs Michelins with OFFTEC Co.
18	Hillim Co. Contract for Internet Services to Kirkuk Branch

Sixteen: Conflict of interests associated with members of the Board of Directors

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.

Seventeen: Financial Inclusion

- The Board was keen to implement the principle of financial inclusion by setting policies and procedures to facilitate banking transactions in all its forms and approving the availability of various financial services with reduced procedures for all segments of society, whether they are institutions or individuals to manage their money and savings properly and safely through legal channels and at affordable prices, suitable for everyone, and easy to obtain, ensuring that there is no resort to other means that are not subject to any control or supervision.
- The bank seeks to gain the confidence of customers, especially employees of state departments, and to settle their salaries in implementation of the instructions of the Central Bank, which gives the employee many capabilities, such as reducing time, effort, and cost in various financial transactions, and reducing dealing with cash and its risks.
- The Board of Directors seeks to popularize the concept of financial inclusion using modern electronic payment systems for the purpose of achieving economic growth and sustainable

development goals for consumer protection, financing medium and small projects, and providing financial products. Among the advantages of financial inclusion are the following:

1. Create a database for each market.
2. It reduces the process of dealing with banknotes and creates a kind of safety.
3. Reduces corruption and bribery.
4. Introducing the informal market to the banking sector.
5. Localization of employees' salaries

Eighteen: Accounting policies

The bank adopts the accrual principle in its accounting policy, whether in recording revenues and expenses or in preparing the closing balances. Our bank also applies the financial accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, and the international financial reporting standards issued by the International Accounting Standards Board.

As a basis for classifying accounts, organizing records, and preparing and organizing data and statements in accordance with the provisions of the laws and instructions in force.

Nineteen: Changes and material events subsequent to the date of the financial statements

- The exchange rate of the dollar against the Iraqi dinar was changed based on the decision of the Board of Directors of the Central Bank issued by Circular No. 9/2/95 dated 08/02/2023, which obliged banks to adjust the value of foreign currency (US Dollar) and any currencies evaluated on the basis of their relationship to the dollar in the records. Financial and banking systems at the beginning of the working day 08/02/2023, and the exchange rate was changed accordingly to 1310 dinars per US Dollar.
- The bank obtained a B rating from the International Credit Rating Agency (Capital Intelligence).

Twenty: 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 internal control and control systems.
2. The Board of Directors is responsible for implementing good corporate governance policies and practices and the governance guide issued by the Central Bank of Iraq.
3. The Board of Directors and the executive management are committed to applying the full set of declared international financial reporting standards, and adhering to the preparation of financial reports according to the latest set of accounting standards and the development of financial statements.
4. The Board of Directors and the executive management are committed to all laws, instructions and controls issued by the Central Bank of Iraq.
5. The Board of Directors bears responsibility for the safety of all activities, operations and procedures of the bank, including its financial conditions and reputation, and the responsibility for implementing the requirements of the Central Bank, as well as the requirements of the supervisory authorities and other regulatory bodies related to its work, taking into account

“stakeholders”, and that the bank is managed within the framework of legislation, and within The bank's internal policies, and effective supervision is constantly available on the bank's activities.

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

Wishing everyone continuous success,

(Signed)
DURAID YASEEN HAMDAN
CEO

(Signed)
AHMED ABDULMAJEED JOMA
Chairman of BOD





Annual Corporate Governance Report for the Fiscal Year ending on Dec. 31, 2022


 المترجم القانوني المصنف
ياسر محمود خضير
 عضو جمعية المترجمين العراقيين
 Sworn Certified Translator
YASIR MAHMOOD KHUDHAIR
 07708644445
 Member Of ITA Card No . 5374

Annual governance report for the fiscal year ending on 31/12/2022 Chairman of the Governance Committee Address

Valued shareholders,

Based on our awareness of the importance of applying the best practices of good governance, and 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 the application of best practices used in international financial institutions to enhance our management approach stemming from our belief that the development of sound frameworks for corporate governance is considered an essential basis for long-term strategic planning and development.

Introduction

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

Governance Framework

Governance aims to define the nature of the relationship between the bank's board of directors and the executive management, which leads to protecting the funds of depositors, shareholders and stakeholders, as well as focusing on disclosure and transparency. From this standpoint, the bank's corporate governance guide has been prepared in accordance with internationally recognized best practices as well as based on the relevant Iraqi laws and international standards issued by international institutions and bodies.

Formation of the Governance Committee

The Corporate Governance Committee was formed based on the minutes of the Board of Directors meeting held in its second session on 08/07/2021, 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 bank's Corporate Governance Guide and preparing quarterly reports to the Board of Directors.

No.	Name	Position	Membership
1	AHMED ABDULMAJEED JOMA	Chairman of BOD	President
2	HAYDAR AKRAM MOHAMMED ALI	BOD Member	Member
3	BAKR RAED ALI	BOD Member	Member
4	SABIH QASIM AHMED	BOD Undersecretary	Committee Rapporteur

Corporate Governance Committee members

Objectives of the Governance Committee

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

1. Determine the bank's strategy.
2. Managing the bank's risk system.
3. Business and activities of the Bank.
4. A balance between commitment to responsibility towards shareholders, protecting the interests of depositors, and taking into account the interest of other stakeholders.
5. The bank's compliance with applicable laws, instructions and controls.
6. Disclosure and transparency practices.

Roles and responsibilities of the Governance Committee

1. The committee sets a general framework for the foundations of governance in the bank and the policies and procedures approved for that, and they are submitted to the Board Of Directors for approval. The committee also reviews these policies and procedures and proposes their amendment, if necessary, at least once a year, and these policies and procedures must be compatible with the provisions of the Governance Manual and all the regulatory instructions and regulation issued by the Central Bank of Iraq, and the provisions and principles of Islamic Sharia in this regard.
2. The committee coordinates with the Audit Committee and the Sharia Supervisory Board to ensure compliance with the guide.
3. Focusing on the specificity of Islamic banking, including protecting the interests of investment account holders, as well as other stakeholders in the bank.
4. The committee shall review and follow up the bank's disclosure policy and procedures and suggest any amendments to this policy.
5. The committee reviews the organizational structure of the bank and its compatibility with governance standards and the extent of the independence of the control functions in the bank (Sharia Compliance and Compliance Monitoring Department, Money Laundering and Terrorist Financing Reporting Department, Internal Sharia Monitoring and Auditing Department, Risk Management Department) and proposes any amendments in this regard.

6. A charter of ethics and ethical standards that govern the work of the Board of Directors, senior executive management and all employees of the bank has been prepared, provided that the committee reviews these standards at least once a year (annually) and proposes amendment if necessary.
7. The committee makes sure that the charters related to the work of each of the committees emanating from the Board of Directors are consistent with the Bank's Corporate Governance Manual approved by the Board and the instructions issued by the Central Bank of Iraq in this regard.
8. The committee monitors the implementation of the bank's Corporate Governance Guide, in a manner that is compatible with the applicable regulations and banks' Corporate Governance Guide issued by the Central Bank.
9. Ensure that the bank's Corporate Governance Guide is published on its website.
10. Annual review of the disclosure policy and code of conduct, and recommending any amendments thereto to the Board of Directors
11. Ensure that the bank discloses the information of interest to stakeholders, as stipulated in the bank's Corporate Governance Guide.
12. Ensure that all concerned parties, the Board of Directors and the executive management, comply with the approved corporate governance policy and the code of Professional Conduct.
13. Ensure that the bank implements corporate governance policies in all its operations and activities.
14. Ensuring the effectiveness of the internal control systems related to monitoring corporate governance in the bank.
15. Submit recommendations regarding the appropriate number for the work of the council, including:
 - Forming Board committees and defining their tasks.
 - Take charge of all matters related to the effective performance of the members of the Council.
16. Conduct review and evaluation on a periodic basis regarding any changes in international and local practices that may have an impact on how the bank operates and manages governance policies, as well as recommending to the Board amendments to those practices.
17. Consider issues of non-compliance with governance and recommend to the Board to take measures to resolve them, as the case may be.
18. Recommend to the Board to approve the Bank's corporate governance policy.
19. Submit periodic reports to the Board of Directors regarding the observations and recommendations of the Committee and any other matters that the Committee deems appropriate or at the request of the Board of Directors.
20. Prepare an annual report that includes the activities and works carried out by the Governance Committee during the previous year.

Committee's activities during 2022

1. The committee reviewed the strategic plan for the years (2021-2023), which was prepared and discussed by the Board of Directors, in accordance with the requirements of the Central Bank.
2. The committee reviewed the Central Bank's letter No. 9/3/262 on 16/08/2021, which included the bank's participation in the capital of the National Takaful Insurance Company, which is compatible with Islamic Sharia and its provisions, at an amount of (550,000,000) five hundred and fifty million IQD.
3. The committee reviewed the policies and procedures below, according to the directives of the Central Bank of Iraq:
 - Sustainability report.
 - Board policy.
 - Policies and Procedures Manual for the Risk Management Department.
 - The annual plan of the Risk Management Department and preparing training courses for the Risk Management Department.
4. The committee reviewed the update and amendment of the policies and procedures below, after ensuring that they are consistent with the requirements of the Central Bank of Iraq.
 - A. Risk acceptable limits policies.
 - B. The policies and procedures of the Money Laundering and Terrorist Financing Reporting Department.
5. The Committee reviewed the amendments to the (Service Rules) based on Labor Law No. (37) of 2015, and after reviewing and discussing, the amendments were consistent with the Labor Law.
6. The committee reviewed the consolidated policies and procedures for managing risks related to environmental and social aspects, which were reviewed by the Compliance Monitor based on the requirements of the Central Bank of Iraq.
7. The committee reviewed the sustainability report for the year 2021, which was approved by the Board, and it met the requirements of the Central Bank of Iraq.
8. The committee reviewed Resolution No. (4) of the Board of Directors in its second meeting held on 11/04/2022, which included:
 - A. Nomination of Mr. SAIF QAIS ABDUL KARIM / Internal Audit Manager as Rapporteur of the Audit Committee.
 - B. Nomination of Mr. BAKR RAAD ALI / Member of the Board of Directors as a member of the Nomination and Rewards Committee in implementation of the principles of corporate governance.
9. The committee reviewed the results of the CAMEL evaluation for the year 2021 and took into account all the observations contained therein. The committee instructed the executive management to work to correct the aforementioned observations and work to raise the evaluation score for the subsequent period.

10. It was confirmed that the Memorandum of Association was amended and the cumulative voting clause was added, according to the Central Bank of Iraq letter No. 3/9/503 dated 03/06/2022 with regards to cumulative voting.
11. The committee reviewed Decision No. (11) in minutes No. (6) of the third paragraph, which included the paragraphs contained in the minutes of the Nomination and Rewards Committee, which included the following:
 - A. The resignation of the Undersecretary of the Board of Directors, Mr. (SABIH QASIM AHMED).
 - B. Appointing Mrs. (ZINA RABI MUSA), Undersecretary of the Board of Directors, as Rapporteur of the Committee.
12. The committee reviewed the decision to appoint (MOWAFFAQ SHAKARA AND PARTNERS COMPANY) as an auditor for the bank's accounts for the year 2022.
13. Follow up on the governance of information and communications technology and the possibility of separating it from the governance committee
14. Formation of a management card work team, which includes:

No.	Name	Position
1	AHMED ABDULMAJEED JOMA	Chairman of BOD
2	HUDA ABDULWAHAAB HASAN	Vice Chair of BOD
3	DURAIID YASEEN HAMDAN	CEO
4	MUSTAFA ABDULKAREEM OLEIWI	Vice CEO
5	SAIF QAIS ABDULKAREEM	Auditing and Monitoring Department Manager
6	ZINA RABI MUSA	BOD Undersecretary

15. Reforming the committee for preparing the requirements of the scorecard, to prepare some requirements for corporate governance, according to the details shown below:

No.	Name	Position	Membership
1	ALI HUSSEIN JEBUR	Vice CEO	President
2	HALA NEEMA ABBAS	Risk Department Manager	Member
3	SAIF QAIS ABDULKAREEM	Auditing and Monitoring Department Manager	Member
4	HIBA REDAH MAHDI	Compliance Department Manager	Member
5	SHUHIB ABDULKHALIQ	HR Department Manager	Member
6	ZINA RABI MUSA	BOD Undersecretary	Committee Rapporteur

16. The committee reviewed the (updated) organizational structure of the bank, and it was confirmed that it was in accordance with the requirements of the governance guide and in line with the bank's departments shown in the organizational structure, the committees emanating from the board and the executive management, after its approval and forwarding a copy of it to the Central Bank of Iraq.

17. The Committee reviewed the contract signed between the bank and the global credit rating agency (Capital Intelligence) for the purpose of gaining a credit rating and the extent to which the principles of corporate governance are applied.

Acknowledgment of responsibility

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

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

(Signed)

AHMED ABDULMAJEED JOMA
Chairman of Board

(Signed)

HAYDER AKRAM MOHAMMED ALI
Member

(Signed)

BAKR RAAD ALI
Member



**Sharia Committee report
for the Fiscal Year Ending on
Dec. 31, 2022**

المترجم القانوني المصنف
ياسر محمود خضير
عضو جمعية المترجمين الموثقين
Sworn Certified Translator
YASIR MAHMOOD KHUDHAIR
07709544446
Member Of ITA Card No. 5374

In the name of Allah, the most gracious, the most merciful

The annual report of the Sharia Supervisory Board

For the fiscal year ending on 31/12/2022

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

May the peace, blessings, and mercy of Allah be upon you,

In accordance with the decision of the General Assembly of Arabia Islamic Bank to appoint a Sharia Supervisory Board for the bank, and based on the bank's articles of association and the assignment letter signed with us, the Sharia Supervisory Board presents to you its annual report for the fiscal year ending on December 31, 2022.

- The Sharia Board has monitored contracts related to transactions and agreements concluded by the bank during 2022 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 the fatwas and guidelines issued by the board.
- The Sharia Supervisory board carried out the necessary control by examining the documentation and procedures followed by the bank on the basis of examining each type of operations carried out by the bank. The bank did not violate the Sharia rules and regulations and fatwas issued.
- The Board clarified a number of new banking issues and clarified the Sharia ruling on them.
- The Sharia Supervisory board answered all related inquiries that were presented to it and issued the necessary fatwas.
- The Sharia Supervisory board monitored the extent of the bank's compliance with the provisions of Islamic Sharia and Islamic Banking Law No. (43) of 2015 and the Sharia standards and accounting standards issued by the Accounting and Auditing Organization for Financial and Islamic Institutions.
- The Sharia Supervisory board reviewed the reports prepared by the Sharia Supervision and Audit Department on the activities and operations of the bank, as well as the observations and proposals submitted by the department and the measures taken by the executive management of the bank in their regard.
- The work plan of the Sharia Supervisory Board for 2023 has been prepared.
- The Sharia Supervisory board reviewed the bank's general budget as on 31/12/2022 and the income statement for the period ending on 31/12/2022 and the clarifications on the financial statements as they provide a comprehensive picture of the bank's work, and the Sharia Supervisory board did not find any legal violation in what it reviewed.

- The responsibility of the Sharia Supervisory Board is to express an independent opinion and state the Sharia ruling in accordance with the rules, provisions and principles of Islamic Sharia, and the responsibility for implementation in accordance with the fatwas and provisions of Islamic Sharia falls on the management of the bank.
- The Sharia Supervisory Board met six times during 2022, and there are no members absent from those meetings.
- In our opinion:
 - The contracts and transactions that the bank implemented during 2022, which we reviewed, were carried out in accordance with Sharia rules and regulations.
 - All revenues generated were from sources that comply with Sharia rules and regulations.
 - The responsibility for paying zakat lies with the shareholders, as we do not have any legal observations about it.

This report was released on Wednesday 11/01/2023

We ask Allah Almighty to grant us guidance and good judgment

May Peace, mercy and blessings of Allah be upon you

(Signed)
FARUQ SHILTAG MAHDI
Head of Fatwa and Sharia
Supervisory Committee

(Signed)
AHMED SALIH HUSSEIN
Member

(Signed)
ALI SALIM SALMAN
Member

(Signed)
ABDULQADER MAHDI SALEH
Member



Auditing Committee Report for the Fiscal Year Ending on Dec. 31, 2022


المترجم القانوني المخلص
ياسر محمود خضير
عضو جمعية المترجمين العراقيين
Sworn Certified Translator
YASIR MAHMOOD KHUDHAIR
07709644446
Member Of ITA Card No . 5374

Respected members of the General Assembly of Arabia Islamic Bank

Subject\ The annual report of the Audit Committee as of 31/12/2022

Greetings,

Based on the provisions of Article (24) of the Banking Law No. (94) of 2004 and the Islamic Banking Law No. (43) of 2015 and the instructions issued thereunder, we present below the annual report of the Audit Committee for the year 2022. As this report briefly included the results of the work conducted by the committee in the fields of the committee review of the comprehensive audit of financial operations for the aforementioned period, which are as follows:

1. It was confirmed that the financial statements of Arabia Islamic Bank for the year 2022 were prepared in accordance with the provisions of the Companies' Law No. 21 of 1997 as amended, and the bank complied with the legislation, regulations and instructions of the Central Bank of Iraq related to this regard, and we have obtained assurances that the financial statements and clarifications reflect the real financial position of the bank, as it was ensured that the financial statements for the year 2022 included all 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, and 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 The International Accounting Standards Board and that our bank has taken several measures to acquire a specialized electronic system in order to implement International Standard No. (9) during the year 2019, and the quantitative effects were sent according to the instructions to the Central Bank according to the bank's letter No. M/3/559 on 27/07/2020 as mentioned in our reports.
2. The bank's financial indicators were reviewed and found to reflect the integrity and solidity of the bank's financial position, as the liquidity calculation ratio reached 393%, while the minimum standard ratio is 30%, and the capital adequacy ratio reached 866%, while the minimum standard ratio is 12%. The Liquidity Coverage Ratio (LCR) amounted to 2187% and the Net Stable Funding NSFR amounted to 974%, while the minimum standard ratio is 100%.
3. It has been confirmed that the accounting system used, information systems, book collection and records used are identical and consistent with the bookkeeping requirements, as they included, according to our estimation, the registration of all assets, liabilities, expenditures and resources, and that they enable the bank to prepare sound financial statements and that the extracted reports are characterized by accuracy, reliability, clarity and in accordance with the provisions of Sharia and Islamic regulations and instructions issued by the regulatory authorities.



4. It was confirmed that the Internal Sharia Control and Audit Department, along with the auditors, carried out the inventory of the fixed, cash and warehouse assets, and that it was done properly, and the results of the inventory were identical to the auxiliary records, and that the evaluation process was carried out in accordance with the approved accounting foundations, assets and principles.
5. The bank's internal audit plan for the year 2022 was reviewed, and it was found to be sufficient and comprehensive. The results of the audit of the of Internal Auditing and Sharia Auditing Department were also reviewed during the year 2022 on the bank's departments, banking activities, and its various Departments and branches, and it was confirmed that they were carried out according to the approved annual audit plan, noting that the results of 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 ensured their adequacy and safety.
7. The scope, results and adequacy of the bank's external audit were also reviewed, and the committee made sure that it is comprehensive and covers all activities and risks to which the bank is exposed. The quarterly reports of the financial position sent to the Central Bank were also reviewed.

In conclusion, we offer our thanks and offer our utmost respect and appreciation to all who are in attendances.

(Signed)

HUDA ABDELWAHAB HASAN
Chairwoman of the Audit Committee





Independent Auditors Report for the Fiscal Year Ending on Dec. 31, 2022

المترجم القانوني المحلف
ياسر محمود خضير
عضو جمعية المترجمين العراقيين
Sworn Certified Translator
YASIR MAHMOOD KHUDHAIR
07709544446
Member Of ITA Card No . 5374

M.SHKARA Co. &
Partners
For monitoring and
auditing of accounts

No.: \A\
Date: \ / \2023



License No.: C.R.P 3-13606 on 24\01\2021

شركة موفقى شكاره وشركانه
لمراقبه وتدقيق الحسابات

العدد :- 1 /
التاريخ :- 2023 / /

To\ Respected Shareholders of Arabia Islamic Bank

Independent auditors report on the financial statements of Arabia Islamic Bank for the fiscal
year ending on 31/12/2022

We have audited the attached financial statements of Arabia Islamic Bank, which consist of the Financial Position Statement as of December 31, 2022, Comprehensive Income Statement, Equity Changes Statement, the Statement of Cash Flows for the year ending on the mentioned date, and the annual report of the bank's management prepared in accordance with the provisions of Companies Law. No. (21) of 1997 and its amendments, and a summary of the most important accounting policies and other explanatory clarifications.

Bank management responsibility:

The bank's management is responsible for preparing these financial statements and presenting them fairly in accordance with international financial reporting standards, in addition to its responsibility for preparing and implementing the internal control system, especially with regard to disclosing financial statements in a fair manner that is free from material errors, distortion or manipulation. This responsibility also includes the selection and application of policies appropriate accounting practices and the use of appropriate accounting estimates.

Auditors Responsibility:

Our responsibility is to express a neutral technical opinion on the financial statements submitted to us. We have audited the financial statements in accordance with local and international auditing standards, which require adherence to the rules of professional conduct, planning and executing audit work on a (test basis) to obtain reasonable assurance that the financial statements are free from material errors. The audit includes taking procedures to obtain evidence supporting the amounts and clarifications contained in the financial statements, as well as evaluating the appropriateness of the applied accounting policies and the reasonableness of the accounting estimates made by the management, in addition to evaluating the general presentation of the financial statements to reasonable express our opinion.



Accordingly, the responsibility of the independent auditor is,

Auditing according to international auditing standards with the aim of obtaining acceptable assurance that the financial statements are free from material errors and significant misstatements, and issuing a report that provides clarifications, observations, and a statement of impartial professional opinion.

Basis of opinion:

The process of auditing and monitoring accounts was based on the 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 (IFRS).

And after conducting the survey and evaluating the internal control system and ensuring the integrity of the administrative and accounting control procedures, with our commitment to the rules of professional and ethical behavior and maintaining independence and impartiality, and making sure that the evidence we obtained is sufficient and appropriate to provide the appropriate basis for expressing an opinion

We include below the most important clarifications and notes,

First: Applying international financial reporting standards

The bank's financial statements for the fiscal year subject of the report were prepared in accordance with International Financial Reporting Standards (IFRS) and Accounting and Auditing Organization for Islamic Financial Accounting Standards (AAOIFI), and based on the directives and instructions of the Central Bank of Iraq issued in this regard.

A- Applying the International Financial Reporting Standard (No. 9)

Based on the Central Bank of Iraq letter No. 9/6/466 on 26/12/2018, which stipulated the application of International Financial Reporting Standard No. (9) as of 01/01/2019 and according to the guiding instructions for the application of this standard issued by the Central Bank of Iraq which replaced instructions No. 4 of 2010, as well as the letter of the Central Bank of Iraq No. 9/6/98 dated 02/03/2020, which included the basis for the distribution of the quantitative impact over a period of five years, starting from 2019.

Where the quantitative impact of the application of the International Financial Reporting Standard (IFRS No. 9) is calculated since 2019, and the financing risk provision was calculated according to a guiding regulation and according to principles related to the standard and the adoption of the highest amount in it as follows:

Year	Amount according to the guideline Thousand IQD	Amount under IFRS 9 Thousand IQD
2019	1,313,936	1,729,748
2020	1,616,985	1,559,559

2021	1,650,763	1,393,675
2022	2,111,520	2,854,547

From the table above, it is noted that the amount according to the guiding regulations for the year 2022 is less than the one calculated according to the international standard, and accordingly the provision was calculated at the higher amount based on the principle of hedging.

B- Applying International Financial Reporting Standard No. (16)

This standard deals with the requirements for recognition, measurement, presentation and disclosure related to lease contracts of lessees and lessors.

In view of the fact that the bank's lease contracts are short-term (one renewable year), they are recorded in the expenses pertaining to each branch according to what was stated in Standard No. (16) that includes the recognition of assets and liabilities for all lease contracts, unless the lease term is (12) months or less.

Second: The result of the activity

The result of the activity for the fiscal year ending on December 31, 2022 was achieving a net (deficit) before tax, as shown below:

Deficit before tax in the amount of (4,722,977) thousand IQD (four billion, seven hundred and twenty-two million, nine hundred and seventy-seven thousand IQD).

While the deficit in the previous year amounted to (2,909,780) thousand IQD (two billion, nine hundred and nine million, seven hundred and eighty thousand dinars), i.e. the deficit increased by (1,813,197) thousand IQD (one billion, eight hundred and thirteen million, one hundred and ninety-seven thousand IQD) and the most important reasons for the increase in the deficit is the increase in the provision risks of contractual and monetary obligations as well as compensation and fines.

Third: Money

- The total cash balance in safes and the Central Bank of Iraq and balances with foreign banks amounted to (172,301,143) thousand IQD, while the balance appeared in the previous year at (186,563,592) thousand IQD, which is less than the cash balance in the previous year by an amount of (14,262,449) thousand IQD, and the reason is due to the decrease in deposits .
- The balance of money in safes and with the Central Bank of Iraq amounted to (169,243,704) thousand IQD, which constitutes 98% of the total cash, which indicates the presence of effective liquidity.
- The balance of cash with foreign banks amounted to (3,057,439) thousand IQD, while the balance in the previous year was (11,929,173) thousand IQD, i.e. a decrease amounted to

(8,871,734) thousand IQD. This decrease constitutes 74% of the balance of the previous year, and the reason for this is due to the liquidation of foreign transfers by SWIFT system.

- The ratio of debit balances with correspondent banks abroad to capital and sound reserves amounted to about (1.2%), which is within the permissible limits that were determined according to the instructions of the Central Bank at a rate of (20%) as stated in letter No. 9/2/5228 on 17/03/2021
- The liquidity coverage ratio for this year compared to the previous year is as follows: -

Details	Current Year	Previous Year	The ratio according to the instructions of the Central Bank
Liquidity Coverage Ratio (LCR)	2187%	1617%	100%
Net Stable Funding (NSFR)	974%	1223%	100%
Liquidity calculation ratio	393%	666%	30%

All ratios give the following indicators:

1. There is a liquidity surplus that has exceeded the ratios set by the Central Bank.
2. The bank has liquidity that has not been utilized as financial resources available for investment.
3. We recommend taking advantage of liquidity to operate funds to increase resources and reduce losses.

Fourth: Revenues

The following is the revenue analysis statement compared to the previous year:

Details	2022 Thousand IQD	2021 Thousand IQD	Deference Thousand IQD	2022 Relative Importance for the revenues
Revenues from Islamic Financing	24,602	29,239	(4,637)	1%
Banking Fees (Net)	274,268	319,001	(44,733)	16%
Profit from Selling\ purchasing of Foreign Currencies	1,435,263	894,280	540,983	81%
Miscellaneous Banking Revenues	25,525	20,511	5,014	2%
Total Revenue	1,759,658	1,263,031	496,627	100%

From the above table, the following is noted:

1. The relative importance of revenues from Islamic financing constitutes 1% of the total revenues and has decreased from the previous year by an amount of (4637 thousand IQD), which is considered weak in importance. We recommend paying attention to obtaining revenues from Islamic financing.

- Bank fees constitute 16% of total revenues and have decreased from the previous year by an amount of (44,733 thousand IQD).
- Revenues from the sale of foreign currencies are considered a major source, as they constitute 81% of total revenues and are still on the rise over the previous year at an amount of (540,983 thousand IQD). We recommend diversification in achieving revenues, distributing risks, and not focusing on a field of activity.

Fifth: Investments

The following are the investment balances for the current year compared to the previous year:

Details	Current Year 2022 Thousand IQD	Previous Year 2021 Thousand IQD	Deference Thousand IQD
Long-term Investments (Government, Private and Mixed Sectors)	20,059,980	16,309,980	3,750,000
Musharaka (Individuals/ Companies)	39,000,000	39,000,000	-
Mudaraba (Companies)	-	7,300,000	(7,300,000)
Total	59,059,980	62,609,980	(3,550,000)
Deducting: Allocations for Musharaka and Mudaraba	2,525,643	1,639,778	885,865
Net Investment	56,534,337	60,970,202	(4,435,865)

From the above disclosure, the following is noted:

- The decrease in net investments by an amount of (4,435,865 thousand IQD) after deducting the provision, i.e. by 7% from the previous year. This is due to the decrease in the investment account (Mudaraba) and the increase in the provision for Musharaka activities.
- The following is a list of (Musharaka) investments for the year subject of the report

Customer Name	Investment Amount Thousand IQD	Investment Date	Due Date	Guarantees
Kamal AlRafidin Co.	24,000,000	06\12\2020	2040/12/6	Guaranteed by the project itself
Camiron Hikmat Mohammed	15,000,000	15\01\2017	2032/1/15	A first-class insurance (mortgage worth 16 billion IQD)
Total	39,000,000			

- The ratio of investments to capital amounted to 22%, exceeding the percentage specified by the Central Bank of (20%) according to the Central Bank's letter No. 9/1/2019 on 23/08/2020.

4. The total investments amounted to (56,534,337) thousand IQD and did not achieve significant revenues for the bank. We recommend that the investments be short-term and have a quick financial return to facilitate their conversion into cash when needed and reinvest them in various activities to diversify the revenues.

Sixth: Islamic financing

- Islamic financing amounted to (2,262,742) thousand IQD and achieved revenues amounting to (24,602) thousand IQD, while its balance in the previous year was (430,750) thousand IQD, i.e. an increase of (1,831,992) thousand IQD. The increase in Islamic financing amounted to 425% compared to the previous year, due to an increase Murabaha financing for individuals.
- Islamic financing to total deposits amounted to 19.8%, and this percentage is small compared to the percentage set by the Central Bank of Iraq, which is 75%, as shown in the list below:

Financing	Balance Thousand IQD	Total Deposits Thousand IQD	Percentage	Allowed Percentage
Islamic Financing	2,262,742	11,409,828	19.8%	75%

We recommend increasing Islamic financing to achieve revenue.

- Islamic finances for the largest (20) customers were audited with a total amount of (1,531,161) thousand IQD, which is equivalent to 68% of the credit portfolio. The guarantees were as follows:

Guarantee Type	Amount Thousand IQD	Percentage
Guarantee	1,568,696	69%
Mortgage	406,764	18%
Draft	287,282	13%
Total	2,262,742	100%

Stable Funding Ratio NSFR

It is noted that the rise of this percentage from the standard percentage (100%), as the stable financing coefficient reached (974%), means that the bank has available financing and has the ability to fulfill obligations, as this is considered one of the sources of strength that requires benefit from and investment to achieve a return to the bank.

Seventh: Pledge credit

The pledge credit portfolio, with a balance of (3,181,424) thousand IQD, was audited before deducting the insurance as of December 31, 2022, and we clarify the following



1. The balance of the securities withheld according to the instructions in force is (2,345,335) thousand IQD, constituting 74% of the amount of letters of guarantee and the rest in the form of certified drafts and checks.
2. The number of letters of guarantee issued were (6) six to ensure good execution, and (1) one to enter into a bid.
3. The pledge credit activity is very small and does not exceed (1.3%) of the capital, which is a very small percentage. We recommend paying attention to this activity because it is one of the basic activities and contributes to maximizing revenues.

We recommend continuing to extend or cancel letters of guarantee when they are no longer needed.

Cash insurance

The balance of cash deposits for letters of guarantee amounted to (2,345,335) thousand IQD, an increase over the previous year amounted to (213,935) thousand IQD, or 10% over the previous year.

Eighth: Credit Concentrations

The following is a statement showing the amounts of credit concentrations and the percentage of each of them to the total:

Activity	Amount Thousand IQD	Percentage
Construction	1,174,768	52%
Services	586,548	26%
Trade	310,507	14%
Transportation and Communication	171,339	8%
Industry	15,910	0.7%
Agriculture	3,670	0.2%
Total	2,262,742	100%

It is noted from the above disclosure that the high concentration is in the building and construction sector and the minimum concentration is in the financing of the agricultural and industrial sectors, which constitutes a large gap in financing for other fields of the real economy.

As for the credit concentrations according to the geographical region, they are as follows:

Governorate	Amount Thousand IQD	Percentage
Baghdad	1,329,568	59%
Erbil	557,716	24%
Kirkuk	354,609	16%
Samara	20,849	1%
Total	2,262,742	100%

- It is noted that concentrations in Baghdad governorate amounted to 59%, followed by Erbil with 24%.
- We recommend increasing investment in the rest of the governorates

Ninth: Fixed and intangible assets:

A- Fixed assets were added this year amounting to (8,273,216 thousand IQD), which included

Fixed Assets	Additions through the year Thousand IQD	Balance at Cost 31\12\2022 Thousand IQD
Lands	-	10,000,000
Buildings	8,000,000	8,000,000
Machinery and equipment	170,484	387,254
Means of transportation	67,722	222,793
Furniture	35,010	1,001,275
Building improvements/leased	-	3,580,081
Total additions to fixed assets	8,273,216	23,191,403

The total fixed assets balance at book value amounted to (18,599,618 thousand IQD).

B- The balance of intangible assets (net) amounted to (297,163 thousand IQD), as banking systems and software were added with an amount of (204,400 thousand IQD).

C- Undergoing Projects

Account for undergoing projects includes:

- The Head Office building and the main branch in Baghdad - Eastern Karrada - Al-Jadriya. Transferring the balance of (8,000,000 thousand IQD) to the fixed assets account.
- Purchasing systems and software. Transferring the balance of (10,585 thousand IQD) to the fixed assets account.

Tenth: Bank deposits

The bank deposit account balance amounted to (3,515,182 thousand dinars), a decrease from the previous year by an amount of (2,739,298 thousand dinars), which relates to the deposit of the First Islamic Bank of Iraq and the Arab Exchange Company.

Details	Amount
Arabia Exchange Co.	1,819,194,884
First Iraqi Islamic Bank	1,695,987,039
Total	3,515,181,923

Eleventh: Current accounts and deposits

- A. The balance of current accounts and deposits amounted to (7,894,646 thousand IQD), and it decreased from the previous year by (4,243,769 thousand IQD) due to the decrease in the current account balances of private sector companies.
- B. The percentage of current accounts reached 66% of the total balance of current accounts and deposits. Savings accounts constitute 11% of the total balance mentioned.
- C. The ratio of cash credit to deposits reached 19.8%, while the standard ratio was 75%.
- D. The percentage of basic savings deposits does not exceed 5% of total liabilities, except for property rights, noting that the percentage specified by the Central Bank of Iraq is 30%.

We recommend seeking to increase savings by providing a competitive advantage to encourage savings.

Twelfth: Enterprise Loans (Small and Medium)

The balance of loans for small and medium enterprises increased from their balance in the previous year by an amount of (2,673,332) thousand IQD, and the balance became (3,024,997) thousand IQD, and this activity represents 17% of the total liabilities except for property rights

We recommend taking advantage of the Central Bank of Iraq's initiative to raise the percentage of loans for small and medium enterprises.

Thirteenth: Capital Adequacy

It is the ratio resulting from dividing (Primary Capital + Supporting Capital) by (Net Risk-Weighted Assets Inside and Outside The Balance Sheet + Market Risks).

Each bank must maintain a capital adequacy ratio of not less than 12%, while the capital adequacy ratio for the year subject of the report reached 866%.

Accordingly, the current capital is able to face the risks arising from the risk-weighted assets inside and outside the general budget due to the decrease in the risk-weighted assets inside and outside the balance sheet.

Fourteenth: Liquidity

The Bank's management aims to maintain an acceptable level of liquidity by developing an internal control system to manage liquidity risks by adopting effective information systems

The statement below discloses the real liquidity position of the bank

Details	Actual liquidity	Standard Percentage
Liquidity Coverage Ratio (LCR).	2187%	100%

NSFR Stable Funding Factor	974%	100%
Liquidity calculation ratio	393%	30%
The ratio of cash credit to capital and reserves	0.9%	600%

From the above, the following is noted:

- A. The bank has a high percentage of liquidity that exceeds the standard ratio, and it can be used to generate revenues by expanding financing according to various activities (Murabaha, Musharaka, Mudaraba, Investment) that are compatible with Islamic Sharia.
- B. Liquidity Coverage Ratio (LCR).
The high ratio than the standard ratio indicates that the bank has high liquidity that can be converted into cash to fulfill obligations during the financial period. This standard aims to achieve liquidity and maintain high-quality liquid assets to cover cash outflows according to specific stress scenarios, which encourages the bank's management to offer banking products with an appropriate return .

Fifteenth: Quarterly Reports

The Bank is committed to preparing quarterly reports based on the instructions of the Central Bank of Iraq. These reports have been audited to ensure that they were prepared in accordance with the controls and contain all required information at an adequate level and for the following sections:

1. Risk Management Department Reports:

- A. The bank reviews comprehensive risk management reports for all types of risks, in addition to reviewing the policies and procedures for risk management, which have been prepared and updated based on the instructions of the Central Bank of Iraq.
- B. The Risk Management Department prepares stress tests according to the scenarios prepared by the Central Bank of Iraq.
- C. The bank determines the procedures for managing investment risks and reducing the impact of those risks according to multi-level scenarios dealing with the following risks:
 - Credit risk.
 - Market risks.
 - Liquidity risk,
 - Operational risks.
 - Risks of non-compliance.

2. Sharia compliance reports and compliance monitoring of Islamic Sharia

- A. Quarterly reports shall be submitted to each of the bank's senior management and the Central Bank of Iraq - Banking Control Department, whereby the extent of the bank's commitment in its daily banking operations to Sharia auditing and the correctness of the internal policies and operations established according to the laws and instructions issued by the Central Bank of Iraq, and everything that would exposes the bank to various risks and avoids irregularities and errors in the work.

- B. The bank submitted quarterly compliance monitoring reports, including regulatory information, compliance with laws and instructions, ensuring the correctness of policies and procedures, avoiding errors and violations, adhering to Sharia auditing, the internal control system, and adequate disclosure of compliance with legislation, laws, regulations, and instructions.

3. Reports of the Internal Sharia Control and Audit Department

The reports prepared by the Internal Sharia Control and Audit Department for the year subject of the report were reviewed, as they were prepared in accordance with the instructions of the Central Bank of Iraq and according to an annual work plan approved by the Board of Directors. The department works to activate the governance procedures and implement the tasks assigned to the employees.

We recommend that Sharia internal audit and control reports include an audit of electronic systems for the purpose of preparing reports in accordance with the principle of disclosure and objectivity, after electronic services have become an essential part of the bank's activities.

4. AML/CFT reports

Based on Paragraph (3G) of Article (2) of the regulatory controls issued under the Central Bank of Iraq's letter No. 9/1/4/306 on 17/09/2016, a report on the bank's activity in combating money laundering and terrorist financing, achievements and periodic work is prepared, and a reference to the letter of the Central Bank of Iraq - Banking Control Department, number 9/2/5228 on 17/03/2021, paragraph (11) thereof, according to which the auditor is required to indicate whether the bank has taken sufficient measures to prevent money laundering and financing terrorism, according to the regulations issued by the AML \ CFT Office, numbered 2/1/T.H./Publications No. 2 on 17/06/2019, we would like to point out the following:

1. The Money Laundering and Terrorist Financing Reporting Department
Through our examination of the accounting records and our review of the nature of the banking operations carried out by the bank during the year subject to audit and the information provided to us by the aforementioned department, it was found that the bank had taken sufficient measures to prevent money laundering and terrorist financing, and that these measures are being implemented in accordance with the regulations, directives plans issued by the Central Bank of Iraq and in accordance with the provisions of Money laundering and terrorist financing Law No. (39) of 2015.
 - The electronic system of the Reporting Department (AML SYSTEM), which works to monitor banking operations according to scenarios developed to monitor suspicious and unusual operations, which are based on scenarios approved by the Central Bank of Iraq.
2. The Board of Directors is committed to adopting internal policies, procedures and controls that are compatible with the nature of banking activity and the Anti-Money Laundering and Terrorist Financing Law No. (39) of 2015.
3. The existence of policies established by the bank's management in the areas of combating money laundering and terrorist financing, preparing periodic reports, making amendments to internal policies or systems, adopting modern systems, and implementing the outputs of automated systems (WORLD CHECK, SANCTION SCREENIBG, AML SYSTEM) in money laundering

to verify all the daily operations of customers and the classification of customers according to the degree of their risks, and that this system provides reports and alerts on every banking transaction that takes place during the working day, and the lists of prohibited persons are updated periodically.

4. We noticed the bank's interest in collecting information about the customers or the company and filling out the Know Your Customer form (KYC).
5. There is interest on the part of the bank's management in training and developing human resources, gaining experience and improving performance through the participation of bank employees in training programs and workshops.
6. The electronic reporting system was acquired according to the directives of the AML\CFT Office and the Central Bank of Iraq, and reports were submitted to the Central Bank of Iraq.
7. These reports contain data, and the necessary actions have been taken by the Director of the Reporting Department:

Sequence	Data	Number
1	Open investigations	-
2	Suspicion reports sent to the AML\CFT Office	1
3	Fraud complaint	-
4	Complaints reports sent to Western Union	-

Sixteenth: Corporate Governance, Board of Directors Report and Performance Card

- A. (7) seven Board of Directors meetings were held during 2022, which are within the minimum number specified under Companies Law No. 21 of 1997 (as amended).
- B. Due to the importance of corporate governance as one of the requirements of good governance in institutions, the bank believes in adopting corporate governance that helps achieve the strategic goals and manage the bank's operations.
- C. We noticed that the Board of Directors attached special importance to the implementation of the Corporate Governance Guide issued by the Central Bank of Iraq according to circulation No. 9/6/422 on 21/11/2018.
- D. The Corporate Governance Committee was formed within the committees emanating from the Board of Directors, which monitor and supervise the preparation of corporate governance for the bank in line with the Governance Manual and related laws and adherence to the principles and instructions of Corporate Governance. It follows up the branches and departments and develops them in the light of developments and the directives and guidelines issued.
- E. A policy of disclosure and transparency has been prepared, which is the basis that creates confidence among shareholders, depositors, debtors and various stakeholders.
- F. The bank's management responded to the (experimental) balanced scorecard indicators for the previous year.

Seventeenth: Subsequent events

1. It was decided that banks should adjust the value of the foreign currency (US Dollar) and any currencies that are evaluated on the basis of their relationship to the US Dollar in the financial records and banking systems at the beginning of the working day of 08/02/2023 to extract the difference between the costs of owning that currency and the current value of it after changing its exchange rate and in line with the cost of obtaining it is an amount of (1310 IQD) for one US Dollar, and dealing with the difference is a restriction in accordance with international standards.
2. Circulation of the Central Bank of Iraq with letter No. 9/3/98 on 08/02/2023 and based on the decision of the Central Bank of Iraq on circulars No. 9/2/95 on 08/02/2023 and because of the change in the exchange rate and its impact on the overall items of the financial position and its result the activity of banks and to find out the financial position in light of the changes in the exchange rate, it was decided to submit the interim financial statements on 08/02/2023, and this data will be a substitute for the interim financial statements that the bank prepares on 31/03/2023.

Eighteenth: Other information

- Auditing fees for auditors have been determined in accordance with the regulations of the Council of the Auditing and Controlling Profession.
- The management is responsible for the information contained in its annual report.

Nineteenth: Management responsibilities for implementing Corporate Governance

Management is responsible for the following:

- Preparing financial statements according to the accounting system, accounting standards, financial reporting, and international financial reports.
- The internal control system to ensure the prevention of errors, misrepresentation, manipulation and fraud.
- Evaluation of performance efficiency, the extent to which objectives are achieved, and the bank's ability to going concern.
- Applying the system of governance and responsibility for supervision, follow-up and financial reporting.

Twentieth: Other requirements

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

1. The accounting system used by the Bank(s) included, in our opinion, the registration of all the Bank's assets, liabilities, expenses and revenues, and the internal control system included the necessary procedures that ensure the accuracy of this data.



2. The book collection used by the bank and the manual records are consistent with the requirements of Bookkeeping Regulation No. (2) for the year 1985 as amended, and it includes assets, liabilities, revenues, and expenses.
3. The inventory of fixed and cash assets was carried out properly, and the results of this inventory were in accordance with the records, and these assets were evaluated according to the approved accounting foundations and principles.
4. The financial statements have been organized in accordance with financial accounting standards, international financial reporting standards, and applicable laws and regulations, and are in complete compliance with what the records show.
5. The management's annual report and the financial and accounting information it contains reflect the bank's management's point of view.
6. The financial statements have been organized in accordance with financial accounting standards, international financial reporting standards, and applicable laws and regulations, and are in complete compliance with what the records show.

Abstract

In our opinion; and based on the information and explanations made available to us, the financial statements and the management report attached to them are consistent with the records and meet the legal requirements. The financial position and activity results for the fiscal year ending on 31/12/2022.

with respect,

(Signed)

M.SHKARA Co. & Partners
For monitoring and auditing of accounts





Financial Statements for the Fiscal Year Ending on December 31, 2022


المترجم القانوني المحلف
ياسر محمود خضير
عضو جمعية المترجمين العراقيين
Sworn Certified Translator
YASIR MAHMOOD KHUDHAIR
07709644446
Member Of ITA Card No . 5374



Arabia Islamic Bank
Financial Position as at 31/12/2021

Description	Explanation	In thousand IQD	
		31\12\2022	31\12\2021
Assets			
Cash and balances with the Central Bank of Iraq	1	169,243,704	174,634,419
Balances with other banks	2	3,057,439	11,929,173
Gold	3	3,390	-
Investments (Net)	4	56,534,337	60,970,202
Islamic Deposit Certificates (Bonds)	5	9,000,000	-
Islamic Financing (Net)	6	2,123,117	419,766
Other Assets	7	870,751	748,937
Fixed Assets (Net)	8	18,599,618	11,220,973
Intangible Assets	9	297,163	159,824
Undergoing Projects	10	-	8,018,250
Total Assets		259,729,519	268,101,544
Liabilities and Equity			
Liabilities			
Banks deposits	11	3,515,181	6,254,480
Customer current accounts and deposits	12	7,894,646	12,138,415
Loans (Small Projects)	13	3,024,997	351,665
Cash Insurance	14	2,345,335	2,131,400
Other liabilities	15	406,891	149,415
Provisions	16	810,278	621,000
Total liabilities		17,997,328	21,646,375
Equity			
Paid Capital		250,000,000	250,000,000
Reserves		96,231	96,231
Retained Profit / Loss		(8,364,040)	(3,641,062)
Total equity		241,732,191	246,455,169
Total liabilities and equity		259,729,519	268,101,544

(Signed)
RANA ABDULKAREEM FAJR
Financial Department Acting Manager

(Signed)
DURAID YASEEN HAMDAN
CEO

Arabia Islamic Bank

Statements of Profit\ Losses and Comprehensive Income for the fiscal year ended at
31/12/2022

In thousand IQD

Description	Explanation	31/12/2022	31/12/2021
Operations revenue			
Revenue from Islamic financing	18	24,602	29,239
Payable Fees	19-A	422,370	361,986
Deducting: Debtor Fees	19-B	148,102	42,985
Net		274,268	319,001
Profit of selling and purchasing foreign currencies	20	1,435,263	894,280
Miscellaneous bank income	21	25,525	20,511
Total Operation Revenue		1,759,658	1,263,031
Operations Expenses			
Employees' salaries and the like	22	904,942	919,299
Operational expenses	23	1,013,818	967,384
Depreciations	24	961,631	964,390
Taxes and fees	25	135,195	131,989
Cash Commitments Risks	26	1,203,783	-
Other expenses	27	2,247,186	1,036,142
Total expenses		6,466,555	4,019,353
Net Income before tax		(4,706,897)	(2,759,322)
Profit\ Losses of Financial Assets	28	(16,080)	(153,458)
Net Income after adding Profit\Losses of the Financial Assets		(4,722,977)	(2,909,780)
Net Income for the period		(4,722,977)	(2,909,780)

(Signed)

RANA ABDULKAREEM FAJIR
Financial Department Acting Manager

(Signed)

DURaid YASEEN HAMDAN
CEO



Arabia Islamic Bank

Statement of change in Equity as at 31/12/2022

In Thousands IQD

Description	Capital	Reserved Capital	Cumulative Surplus	Losses	Total
Opening balance at the beginning of the period	250,000,000	96,231	1,415,968	(5,057,030)	246,455,169
Settlement of Depreciation from Cumulative Profit	-	-	-	1,415,968	1,415,968
Losses of the period (Net)	-	-	-	(4,722,978)	(4,722,978)
Balance at 31/12/2022	250,000,000	96,231	-	(8,364,040)	241,732,191

Statement of change in equity as at 31/12/2022

In Thousands IQD

Description	Capital	Reserved Capital	Cumulative Surplus	Losses	Total
Opening balance at the beginning of the period	250,000,000	96,231	1,561,318	(2,147,250)	249,510,299
Addition: Current year Losses	-	-	-	(2,909,780)	(2,909,780)
Deduction: Transactional Settlement	-	-	(28,784)	-	(28,784)
Deduction: Additional Companies' Tax for Provision Calculated for 2019 and 2020	-	-	(116,566)	-	(116,566)
Balance at 31/12/2021	250,000,000	96,231	1,415,968	(5,057,030)	246,455,169



Arabia Islamic Bank
Statement of Cash Flows as at 31/12/2022

In Thousand IQD

Description	31\12\2022	31\12\2021
Surplus (Deficit) of Current Operations	(4,722,977)	(2,909,780)
Adjustment of Non-Cash Items		
Deducting losses		
Depreciation for the current year	961,630	964,389
(1) Income after adjustments	(3,761,347)	(1,945,391)
Increase in Gold	(3,390)	-
Increase\ Decrease in Investments	4,435,865	(30,270,210)
Increase in Islamic Deposit Certificate (Bonds)	(9,000,000)	-
Increase\ Decrease in Islamic financing	(1,703,351)	45,847,344
Increase in other assets	(121,814)	(194,079)
Increase in Bank Deposits	(2,739,299)	(24,101,878)
Increase\ Decrease in Customers Current Accounts and Deposits	(4,243,769)	(44,047,115)
Decrease in Cash Insurances	213,935	317,549
Increase\ Decrease in Undergoing Projects	8,018,250	(7,665)
Increase\ Decrease in Other Liabilities	257,476	(50,970)
Decrease in provision	189,278	20,275
(2) Net cash flows in Operational Activities	(4,696,819)	(52,486,749)
Investment activities		
Increase in fixed assets	(8,273,216)	(134,375)
Deducting fixed assets	-	200
Increase\ Decrease in Intangible Assets	(204,400)	(112,420)
(3) Net Cash Flows from Investment Activities	(8,477,616)	(246,595)
Financing Activities		
Loans	2,673,332	(146,668)
Increase\ Decrease in Reserves and differences in tax payments	-	(145,350)
(4) Net Cash Flows from Financing Activities	2,673,332	(292,018)
Net cash flows (1+2+3+4)	(14,262,449)	(54,970,753)
Cash at the beginning of the year	186,563,592	241,534,345
Cash at the end of the year	172,301,143	186,563,592

(Signed)

RANA ABDULKAREEM FAJIR
Financial Department Acting Manager

(Signed)

DURaid YASEEN HAMDAN
CEO

Explanations Pretaning to the Financial Statements for the fiscal year ended on 31\12\2022

1. General Information:

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

2. Significant Financial Reporting Standards:

A- The basis for preparing the financial statements

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations issued by the International Financial Reporting Interpretations Committee of the International Accounting Standards Board and in accordance with the historical cost principle, with the exception of financial assets at fair value through comprehensive income and financial assets at fair value through statement of comprehensive income. The Iraqi dinar is the currency of the presentation of the consolidated financial statements, which represents the main currency of the bank, and all amounts were presented in Iraqi dinars, and the consolidated financial statements of the bank are prepared as on 31/12/2022 within to the bank for general purpose and based on the directives of the Central Bank of Iraq according to its recent instructions.

B- Changes in accounting policies

The Bank's management has adopted the application of the accounting policies used in the preparation of the financial statements in accordance with international accounting standards.

3. International Financial Reporting Standards

International Accounting Standard No. (1) Presentation of Financial Statements Limited amendments were made that focus on the following matters:

- Core issues.
- Classifications and grouping.
- The structure of the clarifications.
- Disclosure of accounting policies.
- Presentation of other comprehensive income items resulting from investments that follow the equity method. These amendments are not expected to affect the financial position or the financial performance of the Bank, and the bank does not expect that these amendments will have a material impact on the clarifications of the Bank's financial statements.

4. Notes to the financial statements for the year ending on December 31, 2022

A- Amendments to International Accounting Standard No. (16) and International Accounting Standard No. (38):

The amendments in International Accounting Standard No. (16) and International Accounting Standard No. (38) clarify that the revenues reflect the economic benefit obtained from operating the business instead of the economic projects that were consumed through the use of fixed assets. Therefore, this method may not be used for the depreciation of machinery, property and equipment. And it can be used only in specific circumstances to amortize intangible assets. The bank management has taken the historical cost in evaluating all fixed assets and as approved in the previous year until clear and binding instructions are issued by the Central Bank of Iraq regarding their fair values.

B- International Financial Reporting Standard (IFRS9):

It is a standard that was issued globally in 2015, and companies globally were required to apply it for the year 2016 onwards, and based on the instructions of the Central Bank of Iraq, banks were obliged to apply it starting from the fiscal year 2019. It is one of the financial reporting standards for financial instruments, stocks, bonds, credit facilities, and other financial derivatives in terms of measurement, presentation, and disclosure.

5. Realizing revenues and recognizing expenses

Revenue are recognized using the actual interest method, with the exception of non-performing credit facilities revenues and commissions that are not recognized as revenues and are recorded in the suspended revenues and commissions account. Expenses are recognized on an accrual basis.

Also, commissions are recorded as revenues when related services are provided, and corporate shares profits are recognized when distributed from those companies.

6. Use of estimates

The preparation of the consolidated financial statements and the application of accounting policies require the bank's management to make estimates and assumptions that affect the amounts of financial assets and liabilities and to disclose potential liabilities. Also, these estimates and judgments affect revenues, expenses, provisions, as well as other comprehensive income items, and in particular require the bank's management to issue important judgments and judgments to estimate the amounts and times of future cash flows. The aforementioned estimates are based on assumptions and multiple factors that have varying degrees of estimation and uncertainty, and that the actual results may differ from the estimates as a result of the changes resulting from the conditions and circumstances of those estimates in the future.

In the belief of the Bank's management, its estimates within the consolidated financial statements are reasonable and detailed as follows:

A. Provisions for Murabaha Granting Risks:

First: The debt provision is reviewed within the bases established by the Central Bank of Iraq.

Second: Confronting the international accounting standards for applying International Financial Reporting Standard No. (9).

- B. The real estate depreciation loss will be proven for all the bank's properties, including expropriated ones, based on recent real estate appraisals approved by accredited appraisers until proving the depreciation loss, and that decline will be reviewed periodically and according to the instructions of the sectoral authority.
- C. Taxes due are charged for the fiscal year with its related taxes in accordance with the local laws and regulations applied by the financial authority and accounting standards.
- D. The management periodically reassesses the productivity lives of property and equipment in order to calculate annual depreciations and amortizations, depending on the general condition of those assets and estimates of the expected productive lives in the future, and an depreciation loss (if any) will be recorded in the consolidated accounting statement of income.
- E. The management conducts a periodic review of the financial assets, which are shown at cost, to estimate any decrease in their value, and the decrease is included in the statement of comprehensive income for the year.
- F. Judicial provisions are taken to meet any legal obligations. Provisions are taken for these obligations based on the opinion of the bank's legal advisor.

7. Sector information

The business sector represents a group of assets and operations that jointly provide products or services that are subject to risks and returns different from those related to other business sectors.

8. Capital and shareholder rights

The paid-up capital maintained the same amounts (250) billion Iraqi dinars paid in full and in accordance with the instructions of the Central Bank of Iraq. The rest of the shareholders' equity as on 31/12/2022 are as follows:

Reserve/Account	Amount In Thousands IQD	Notes
Reserved Capital	96,231	Amount from previous year
Cumulative Deficit from previous and current years	(8,364,040)	Cumulative Deficit from previous years
Allocation for change-at fair value	-	Evaluating the Financial assets at fair value

A. Legal (mandatory) reserve:

Accumulated since the establishment of the bank and represents all amounts deducted from the annual profits after income tax at a rate of 5% of the remainder. Shareholders, and the deduction may continue with the approval of the bank's general assembly, provided that the compulsory reserve does not exceed 100% of the bank's capital.

B. Expansion Reserve: None

C. Reserve for changes in the fair value of financial assets:

No amount of the reserve was applied in the bank according to the international accounting standards that were applied.

D. Legal reserve: its balance amounted to (96,231) thousand IQD.

9. Cash and its equivalent

It is cash and cash balances, which include (cash, balances with the Central Bank, balances with banks and governmental, local and foreign banking institutions).

10. Recognition of financial assets

Purchase and sale of financial assets are recognized on the trading date (the date of the bank's commitment to buy or sell the financial assets).

11. Risk management

The Bank's Board of Directors is responsible for setting general policies for risk management and approving its strategy. A written plan has been drawn up to identify current risks, ways to address them, access potential risks, and ways to confront them or reduce their effects. Risk management in the bank, which develops plans to face the following risks:

1. Exposure to credit risk.
2. Diversification of credit exposures according to the degree of risk.
3. Concentration of credit exposures by geographical diversification.
4. Market risks / financial instruments as a result of a change in (stock prices, interest and basic currencies).

12. Direct Islamic financing

- A. Islamic finances are shown in net value after deducting the provision for cash credit risks and the provision for doubtful debts in statement (6). The relevant provision for those debit balances has been deducted from them. As for the suspended returns and commissions, they are retained with a provision for those who failed to pay.
- B. A provision for cash financing risks is formed if it is found that it is not possible to collect the amounts due to the bank and when there is objective evidence that an event has negatively affected the future cash flows of direct Islamic financing. This decrease can be estimated. The amount of the decrease is recorded as an expense in the consolidated income statement, which was re-displayed and classified as a deduction from other assets as a result of transferring non-payment balances to debtors.
- C. Returns and commissions on non-productive Islamic financing granted to clients are suspended in accordance with the instructions of the Central Bank of Iraq.
- D. The Islamic finances allocated to them are written off in the event that the procedures taken to collect them are not feasible by deducting them from the provision in accordance with the provisions of the Companies Law, and any surplus in the provision is transferred to another type of allocations according to the recent instructions of the Central Bank, and the proceeds from the debts previously written off are added to the revenues of previous years.

13. Financial assets at amortized cost

They are the financial assets that the bank's management aims, according to its business model, to keep in order to collect the contractual cash flows, which are represented by payments from the principal debt, and any decline in its value is recorded in the income statement.



The amount of decline in the value of these assets represents the difference between the value recorded in the records and the current value of the expected cash flows discounted at the original interest rate. It is not permissible to reclassify any assets of this item except in the cases specified in the International Financial Reporting Standards and in the event of selling any of these assets before its due date, the result of the sale is recorded in the income statement in a separate item and disclosed in accordance with the requirements of international accounting standards.

14. Financial assets at fair value through the income statement

Debt instruments that are not consistent with the business model of financial assets at amortized cost, or those that the bank chose to classify at fair value through the income statement upon purchase, are measured at their fair value through the statement of comprehensive income.

Investments in financial instruments are classified at fair value through consolidated statement of income, unless the bank designates a non-trading investment at fair value through other comprehensive income upon purchase.

These assets are recognized at fair value upon purchase (acquisition expenses are recorded on the consolidated income statement upon purchase) and are subsequently re-evaluated at fair value. The change in fair value appears in the statement of comprehensive income, including the change in fair value resulting from translation differences of non-monetary asset items in foreign currencies. In the event that these assets or part thereof are sold, the resulting profits or losses are recorded in the statement of comprehensive income.

15. Fair value

- The bank measures financial instruments such as financial derivatives and non-financial assets at fair value on the date of the financial statements, if any.
- The fair value represents the price that would be obtained to sell the assets or that would be paid to transfer a liability in an orderly transaction between active market participants.
- In the absence of the main market, the most appropriate market for assets and liabilities shall be used. The bank needs to have access to the principal market or the most advantageous market.
- The bank measures the fair value of assets or liabilities using the assumptions that market participants will use when pricing the assets, or the fair value measurement of non-financial assets takes into account the ability of market participants to generate economic benefits through using the assets or selling them to another participant.
- The bank uses appropriate valuation techniques that are commensurate with the circumstances, provides sufficient information to measure fair value, clarifies the use of directly observable inputs, and minimizes the use of indirectly observable inputs.

16. The decline in the value of financial assets

The bank reviews the values recorded in the records of the financial assets at the date of the consolidated statement of financial position to determine whether there are indications of impairment in their value individually or in the form of a group. In the event of such indications, the recoverable value is measured in order to determine the impairment loss.

The amount of decrease is determined as follows:

- A. Impairment of financial assets carried at amortized cost represents the difference between the value recorded in the records and the present value of the expected cash flows discounted at the original price.
- B. The decline is recorded in the consolidated statement of income, and any savings in the subsequent period as a result of the previous decrease in the assets of debt instruments is recorded in the income statement.

17. Clearing

An offset is made between (assets and financial liabilities) and the net amount is shown in the consolidated statement of financial position only when the binding legal conditions are met, as well as when it is settled on the basis of offsetting, or the realization of the assets and the settlement of the liabilities are at the same time.

18. Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. The cost of property and equipment includes the cost incurred to replace any component of the property and equipment and finance charges for long-term construction projects if the recognition criteria are met. All other expenses are recognized in the consolidated statement of income when incurred. Depreciation is calculated (with the exception of lands, as lands do not depreciate, but their cost is fully reduced in the event of natural disasters) using the straight line method according to the expected useful life as follows:

Property, Buildings, and Machinery	Productive life in years
Buildings	30 – 50
Machinery, Devices, and Furniture	5
Transportation	5
Electronic System	5

No item of property and equipment and any substantial parts thereof shall be written off except upon disposal or when there is no expected economic benefit from the use or disposal of the asset. Any gain or loss resulting from the write-off of the asset, which represents the difference between the proceeds from disposal and the net value, is recorded. The carrying of the asset in the consolidated income statement.

19. Writing-off of financial assets and liabilities

A- Financial assets

A financial asset (or) a part thereof is written-off when

1. The right to receive cash flows from the asset expires.
2. The bank reserves the right to receive the cash flows from the asset, but in return it bears an obligation to pay the cash flows in full without material delay to a third party.
3. When transferring significant risks and benefits or transferring control over it and not retaining it.

B- Financial liabilities

A financial liability is excluded when:

1. Exemption, cancellation or expiration of the obligation related to the liabilities.
2. When replacing a financial obligation with another from the same financing entity and according to substantially different conditions.
3. In the event of a substantial modification in the terms of the current commitment, this replacement or modification shall be treated as an exclusion of the original commitment and the realization of a new commitment.

20. Foreign currencies

- A. Transactions in foreign currencies during the year are recorded at the prevailing exchange rates as at the date of the transactions.
- B. The balances of financial assets and financial liabilities are translated into foreign currency rates on the date of preparing the financial statements as issued by the Central Bank of Iraq and which the bank committed to when preparing the financial statements.
- C. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated on the date the fair value was determined.
- D. Profits and losses resulting from foreign currency translation during the year are recorded in the income statement.
- E. Translation differences for non-monetary foreign currency assets and liabilities items (such as stocks) are recorded as part of the change in fair value.

21. Provisions

Provisions are recognized when the bank has obligations at the date of the statement of financial position arising from previous events, and the settlement of the obligations is probable and their value can be measured reliably.

22. Income tax

Taxes represent the amounts of taxes due, and the taxes due are calculated on the basis of taxable profits, and the taxable profits differ from the profits declared in the financial statements because the declared profits include non-taxable revenues or expenses that are not deductible and according to the instructions of the financial authority. Income tax is calculated according to the tax rates established under the laws, regulations and instructions in force in Iraq, amounting to 15% for corporate income tax.

23. Assets whose ownership has devolved to the bank in settlement of outstanding debts

Assets whose ownership has been transferred to the bank appear in the statement of financial position within the properties, buildings and equipment, at the value at which they were transferred to the bank, and they are disposed of according to the instructions of the sectoral authority.

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

Discription	In thousand IQD	
	31\12\2022	31\12\2021
Cash in safes/ IQD	1,754,386	1,639,220
Cash in safes / Foreign Currency	5,977,446	13,507,685
Cash with the Central Bank of Iraq	158,893,175	157,199,335
Legal deposits with the Central Bank	2,618,697	2,288,179
Total	169,243,704	174,634,419

2. Cash with Foreign Banks:

Discription	In thousand IQD	
	31\12\2022	31\12\2021
Cash with Foreign Banks	3,057,439	11,929,173
Total	3,057,439	11,929,173

3. Gold (Net)

Discription	In thousand IQD	
	31\12\2022	31\12\2021
Gold	3,390	-
Total	3,390	-

4. Investments:

Discription	In thousand IQD	
	31\12\2022	31\12\2021
Long-term Investment (Public Sector)	10,000	10,000
Long term Investment (Financial Private Sector)	550,000	550,000
Companies long-term Investments (Private sector)	18,749,980	14,999,980
Long-term Investments (Mixed sector)	750,000	750,000
Musharakah Investments (Individuals)	15,000,000	15,000,000
Musharakah Investments (Companies)	24,000,000	24,000,000
Mudarabah Investments (Companies)	0	7,300,000
Total	59,059,980	62,609,980
Deducting provision for Musharakah and Mudarabah	2,525,643	1,639,778
Investment (Net)	56,534,337	60,970,202

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

5. Islamic Debit Certificates (Bonds):

In thousand IQD

Discription	31\12\2022	31\12\2021
Islamic Debit Certificates (Bonds)	9,000,000	-
Total	9,000,000	-

6. Islamic financing:

In thousand IQD

Details	31\12\2022	31\12\2021
Yielding Financing		
Murabaha Individuals	1,879,157	430,750
Good Loans Individuals	338,665	
Non-yielding Financing		
Murabaha Individuals	44,920	
Deducting:		
Provision for Sell\ Murabahah Yielding Financing	80,381	10,984
Provision for Good Loans	14,324	
Net Direct Credit Facilities		
Provision for Sell\ Murabahah Non-Yielding Financing	44,920	
Total Provision for Credit depreciation	139,625	
Credit Facilities (Net)	2,123,117	419,766
Provision for Credit Depreciation (Yielding Debts)		
Opening Balance	10,984	10,984
Addition through the year	152,251	-
Retrieved through the year	23,610	-
Closing Balance	139,625	10,984

7. Other Assets:

In thousand IQD

Discription	31\12\2022	31\12\2021
Insurance with Other	48,483	1,158
Affiliate advances	63,304	79,466
Non-current activity receivables	438,000	438,000
Operational fees advances	320,964	230,313
Total	870,751	748,937

8. Fixed assets: The following table details the tangible fixed assets and their impairments as on 31/12/2022 in thousand IQD:

Statement	Lands	Buildings	Machinery and Equipment	Means of Transport	Furniture and Fixtures	Improvements Buildings (leased)	Total
Balance as of 01/01/2022	10,000,000	-----	-----	155,071	966,265	3,580,081	14,918,187
Additions during the year	----	8,000,000	8,000,000	67,722	35,010	-----	8,273,216
Reduction	----	----	----	-----	-----	-----	-----
Balance as at 31/12/2022	10,000,000	8,000,000	8,000,000	222,793	,1,001,275	3,580,081	23,191,403
current year cumulative impairment 01/01/2022	----	----	----	137,360	735,949	2,690,027	3,697,214
Adding current year impairment	----	13,333	13,333	25,612	138,169	684,054	894,571
Provision balance for Cumulative impairment 31/12/2022	----	13,333	13,333	162,972	874,118	3,374,081	4,591,785
Book value 31/12/2022	10,000,000	7,986,667	7,986,667	59,821	127,157	206,000	18,599,618

9. Intangible Assets:

In thousand IQD

Discription	31\12\2022	Additions	Depreciation	31\12\2022
Banking systems and software	159,823	204,400	67,060	297,163
Total	159,823	204,400	67,060	297,163

10. Undergoing Projects:

In thousand IQD

Discription	31\12\2022	31\12\2021
Undergoing projects / Buildings and Facilities	-	8,000,000
Undergoing projects / Systems and programs	-	18,250
Total	-	8,018,250

11. Banks Deposits:

In thousand IQD

Discription	31\12\2022	31\12\2021
Current accounts payable (Financial Sector)	3,515,181	6,254,480
Total	3,515,181	6,254,480

12. Customer Deposits (of Current Nature):

In thousand IQD

Discription	13\12\2022	31\12\2021
Current accounts payable Private sector / Companies	2,966,434	8,912,652
Current Accounts Payable Private Sector / Individuals	2,294,874	2,249,947
Savings Accounts	874,300	488,096
Checks in order of	74,360	63,500
Amount received for registration of companies	15,000	15,000
Received deposits	1,620,312	409,220
Amount impounded at request of authorities	22,844	-
Prepaid Cards	26,522	-
Total sum	7,894,646	12,138,415

13. Borrowing (SMEs):

In thousand IQD

Discription	31\12\2022	31\12\2021
long term loans (SMEs)	3,024,997	351,665
Total	3,024,997	351,665

14. Cash Insurance:

Discription	In thousand IQD	
	31\12\2022	31\12\2021
Letter of Guarantee Insurance	2,345,335	2,131,400
Total	2,345,335	2,131,400

15. Other Liabilities:

Discription	In thousand IQD	
	31\12\2022	31\12\2021
Other Liabilities	231,658	33,475
Due Payments	175,233	100,803
Total	406,891	134,278

16. Provisions:

Discription	In thousand IQD	
	31\12\2022	31\12\2021
Provision for Exchange Rate Fluctuations	183,000	183,000
Allocations of Cash Differences	438,000	438,000
Provisions for Pledged Liabilities	189,278	-
Total	810,278	621,000

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

Discription	In thousand IQD	
	31\12\2022	31\12\2021
Local Letters of Guarantee	3,181,424	2,131,400
Total	3,181,424	2,131,400
Deducting: Insurances	2,345,335	2,131,400
Net of Liabilities	836,089	0

18. Income from Islamic Financing:

Discription	In thousand IQD	
	31\12\2022	31\12\2021
Murabaha Realized Income - Individuals	24,602	29,239
Total	24,602	29,239

19. Bank Commissions and fees:

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

In thousand IQD

Discription	31\12\2022	31\12\2021
Local Wire Transfers Fees	749	1,242
Foreign Wire Transfers Fees	105,470	139,618
Westin Union Money Transfer Fees	75,305	108,954
Local Letters of Guarantee Fees	86,017	65,051
Central Bank Fees \SMEs	-	250
Other bank Fees	91,659	9,912
Various bank Fees	51,893	36,768
Cheque Books Issuance Fees	286	164
Issuance of Checks in Order of Fees	186	27
Administrative fees for Good Loans	6,900	-
Debit Cards Issuance fees	1,526	-
Prepaid Cards Issuance fees – Visa Cards	2,170	-
ATM fees	209	-
Total	422,370	361,986

B – Deducting Bank charges (Payable):

In thousand IQD

Discription	31\12\2022	31\12\2021
Local Banks\ Bank Fees	51,373	39,606
Foreign Banks \ Bank Fees	2,072	2,220
Expenses paid by investment accounts \ Savings	13,265	1,159
Visa Fees	79,725	-
Local Companies\ Visa Fees	1,667	-
Total	148,102	42,985
Net Fees Income and Bank Charges	274,268	319,001

20. Profits from Buying and Selling Foreign Currencies:

In thousand IQD

Discription	31\12\2022	31\12\2021
Profit \ Losses from Foreign Transaction	62,123	(97,152)
Profit from the Foreign Currency Selling Window	1,373	991,432
Total	1,435,263	894,280

21. Miscellaneous Bank Revenue:

Discription	In thousand IQD	
	31\12\2022	31\12\2021
Miscellaneous services Revenue	2,300	-----
Expenses of Imported Communication	18,469	19,559
Bank's Sells and Prints	4,316	952
Revenues from selling gold	440	-
Total	25,525	20,511

22. Employees' Salaries and the Like:

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

Discription	In thousand IQD	
	31\12\2022	31\12\2021
Wages	333,072	340,856
Salaries of Employees not included in Social Security	20,608	23,071
Professional and Technical Provision	139,122	136,666
Family provision	86,822	89,674
Compensatory provision	227,901	241,818
Overtime Wages	1,477	502
Rewards	19,350	16,950
Contribution to Social Security	40,076	40,923
Total wages of employees in the bank	868,426	890,460
Add other Employees Wages:		
Transfer of employees	4,167	2,533
Transport for training	12,346	9,458
Allowances for employees	750	150
Training	19,251	16,848
Total	904,942	919,299

23. Operational Expenses:

The following is an analytical table of operational general expenses:

Discription	31\12\2022	31\12\2021
Fuel and oil	34,288	28,885
Supplies & Equipment	33,157	28,656
Stationery	12,642	6,734
Water and electricity	37,476	40,336
Maintenance of buildings and facilities	888	805
Maintenance of machinery and equipment	8,426	6,991
Maintenance of transport	2,107	4,760
Maintenance of furniture and office fixtures	825	87
Maintenance of Software and Programs	94,964	119,359
Research Services and Consulting	-----	19,710
Advertising	6,914	2,302
Publishing and printing	32,229	15,205
Hospitality	9,603	7,335
Celebrations	-----	312
Rewards for Non-Workers	25,273	11,345
Conferences and Seminars	41,885	24,933
Communications	21,292	61,425
Goods Transportation	953	145
Rent (Buildings and Facilities)	141,159	132,159
Subscription and Affiliation	412,975	294,724
Deposits Insurance Charges	8,307	16,491
Legal Services	19,841	59,451
Banking Services	6,105	6,222
Auditing Fees	35,000	50,137
Other Auditing Fees	7,400	5,900
Other Service Fees	20,109	22,975
Total	1,013,818	967,384

24 - Depreciation and Impairments:

Discription	31\12\2022	31\12\2021
Impairment of machinery and equipment	33,403	34,802
Impairment of Vehicles	25,612	29,310
Impairment of Furniture and office appliances	138,169	176,525
Impairment of Buildings and Facilities	13,333	-
Impairment of Buildings improvements / leased	684,054	684,054
Impairment of intangible assets	67,060	39,698
Total	961,631	964,389

25. Taxes and fees:

Discription	In thousand IQD	
	31\12\2022	31\12\2021
Taxes and fees	135,195	131,988
Total	135,195	131,988

26. Risks of Pledged\ cash Commitments:

Discription	In thousand IQD	
	31\12\2022	31\12\2021
Risks of Pledged\ cash Commitments	1,203,783	-
Total	1,203,783	-

27. Other Expenses:

Discription	In thousand IQD	
	31\12\2022	31\12\2021
Donations	-	100,000
Compensation and fines	2,090,343	762,634
Special service expenses	146,693	92,382
Third-Parties subsidies	10,150	-
Provision for Cash Differences	-	81,000
Capital Losses	-	126
Total	2,247,186	1,036,292

28. The Profit\ Losses of Finical Assets

Discription	In thousand IQD	
	31\12\2022	31\12\2021
Profit\ Losses of Finical Assets	16,080	153,458
Total	16,080	153,458

29. Paid capital:

Discription	In thousand IQD	
	31\12\2022	31\12\2021
Announced Paid Capital	250,000,000	250,000,000
Total	250,000,000	250,000,000

Sustainability report

Sustainability is the concept that refers to the bank's adoption of long-term growth strategies through achieving sustainable profits for shareholders, interdependent relationships with customers, fulfilling commitments on time, as well as developing the capabilities of its human resources in light of social and economic variables and the external and internal work environment.

The importance of sustainability stems from being an important organizational tool for setting goals, evaluating performance efficiency, and monitoring the bank's operations to become more effective by increasing competitiveness with high quality, organizational reputation, and reducing risks, in light of the rapid economic, social and environmental changes.

First: Introduction

This report sheds light on the approach of Arabia Islamic Bank in applying sustainability in its activities through disclosure and transparent disclosure of information on achievements, commitments and governance, as this report includes important aspects that have been identified by the management of Arabia Islamic Bank.

Second: Brief Overview of the Bank

The history of the establishment of Arabia Islamic Bank dates back to its inception in 2005 as a limited company under the name of the United Arab Company for Money Transfer in 2005, and then it turned in 2008 into a private joint-stock company with a capital of 500 million Iraqi dinars, and then it continued to practice the normal activities related to banking and transfer companies. The financial and capital increase gradually until 2015, when the decision was taken to convert the company into an Islamic bank, but the transfer procedures were not completed until the beginning of 2016, as the value of the bank's capital became 100 billion Iraqi dinars, and the bank continued to increase its capital to become at the end of the year 2016 as 250 billion Iraqi dinars, as the bank's goal is to improve the quality and level of banking services provided to customers in Iraq and to develop electronic banking systems.

Bank branches:

The number of branches of Arabia Islamic Bank in 2016 was one branch, which is the main branch, in addition to the Al-Rasheed branch, which was activated later during 2017. There are two other branches, namely the Karada branch and the Erbil branch, which were opened at the beginning of 2018, in addition to Kirkuk branch, taking in consideration that the bank's Board of Directors has developed a plan to expand and open branches during the period of its strategic plan for the coming years 2022-2023 in order to serve the requirements of customers and economic development.

Bank Branches and building ownership where the branch resides as at 31/12/2022

No.	Branch	Address	Ownership
1	Head Office \ Main Branch	Baghdad – Mansour, 14 Ramadan St.	Rented
2	Rasheed Branch	Baghdad – Rasheed St.	Rented
3	Karada Branch	Baghdad – Near National Theater	The branch was merged with the Main branch
4	Erbil Branch	Erbil – Park View Complex	Rented
5	Kirkuk Branch	Kirkuk – Province St., Adnan District	Rented

Third: Financial Reports

The financial management of the bank is committed to tracking and verifying the financial data to reflect the true financial position of the bank so that the correct financial, administrative and organizational reports are issued. Where the financial department collects, manages, monitors and controls financial information through the policies and procedures used to track financial transactions and manage performance. In addition, Islamic and international accounting standards and Central Bank instructions are adhered to. Finally, the financial management relies on the disclosures in the financial statements with complete transparency.

Fourth: Employees Empowerment

Banks these days are facing many circumstances and variables in their quest to achieve their goals efficiently and effectively. Adapting to these situations, which requires searching for new means to keep pace with these developments. The appropriate response to meet these challenges takes several forms and methods, the most important of which is the interest in human resources and the creation of an appropriate work environment for them as the main factor on which the success and development of the bank depends. The concept of empowerment emerges as one of the modern administrative methods that are based on idea to give workers confidence, hold them accountable and delegate them powers at work, which generates a sense of confidence in them to take responsibility and ignites their potential drive, which appears in the form of creativity and suggestions that increase their motivation towards the importance of work and its completion efficiently and effectively. The idea of empowerment is based on the direction of management to grant confidence, authority and freedom of action to subordinates in the field of their work, and given that this behavior generates a sense of importance and competence for self-realization, and thus will create among officials a feeling of self-motivation and a positive awareness towards work. Arabia Islamic Bank seeks to apply the concept of career empowerment through the participation of employees in training courses and workshops to raise and improve the level of productivity, as well as granting employees the authority to attend meetings, each according to their competence, and giving them the freedom to express their ideas and opinions.

Fifth: Human Rights

Human rights in Islam are a fixed thing, whether for the individual or the group, and the right is defined as the values of justice, fairness and morals, as the Islamic faith affirms the complete freedom of man, as he has been given the task of reconstructing the earth and his succession in it, as for the second right, it is the right of human dignity and Islam has made it one of the duties of the state providing the necessary protection to ensure the continuation of a decent life for all citizens.

Sixth: Governance

In view of the importance of corporate governance, Arabia Islamic Bank seeks to apply all relevant governance standards in all of the bank's activities, due to governance impact on applying international standards for managing banks, achieving strategic goals, and enhancing overall confidence in the bank through the framework of banking governance based on disclosure and transparency.

Seventh: The Board of Directors of Arabia Islamic Bank

Enhancing the oversight mission of the board of directors, the independence of its members, and its effective supervision of executive managers in the bank is one of the most important tools that help it to activate governance, and thus increase the quality of accounting information by ensuring the integrity and reliability of financial reports, as effective Board of Directors constitutes the starting point for proper application. The principles of governance, in cooperation with the committees emanating from the Board of Directors and the executive management to preserve the interests of shareholders, borrowers, employees and others.

The Board of Directors of Arabia Islamic Bank includes original and alternative members with qualifications and experience in banking work. Committees related to the executive management and the Board of Directors emerge from the Board in accordance with the Governance Guide issued by the Central Bank of Iraq.

Eighth: Governance as a Tool for Achieving Sustainable Development

Corporate Governance is one of the most important governance systems because of the principles of rational management and defining the tasks and responsibilities of the Board of Directors, senior executive management and bank employees, justice and equality between stakeholders, effective control through the internal control and risk management system, transparency and disclosure, and regulating the rights of owners (Shareholders), community development and advancement, Which leads to improving the performance of the bank in general and achieving the objectives of the stakeholders and inevitably ends with upholding the public interest and the development and growth of the economy.

Ninth: Overview of the Performance from sustainability aspect

1- The economic aspects are as follows

Table No. (1)

Analytical statement comparing the balances of the general budget as of 31/12/2022 compared with the previous year and the percentage of change

Description	31/12/2022	31/12/2021	31/12/2022	31/12/2022
	In thousands IQD	In thousands IQD	Absolute change	Percentage
Assets				
Cash and balances with the Central Bank of Iraq	169,243,704	174,634,419	-5,390,715	-3.19%
Balances with other banks	3,057,439	11,929,173	-8,871,734	-290.17%
Gold	3,390	-	3,390	100.00%
Investments (Net)	56,534,337	60,970,202	-4,435,865	-7.85%
Islamic Deposit Certificates (Bonds)	9,000,000	-	9,000,000	100.00%
Islamic Financing (Net)	2,123,117	419,766	1,703,351	80.23%
Other Assets	870,751	748,937	121,814	13.99%
Fixed Assets (Net)	18,569,618	11,220,973	7,378,645	39.67%
Intangible Assets	297,163	159,824	137,339	46.22%
Undergoing Projects	-	8,018,250	-8,018,250	0%
Total Assets	259,729,519	268,101,544	-8,372,025	-3.22%
Liabilities and Equity				
Liabilities				
Bank deposits	3,515,181	6,254,480	-2,739,299	-77.93%
Customer current accounts and deposits	7,894,646	12,138,415	-4,243,769	-53.76%
Loans (Small Projects)	3,024,997	351,665	2,673,332	88.37%
Cash Insurance	2,345,335	2,131,400	213,935	9.12%
Other liabilities	406,891	149,415	257,476	63.28%
Provisions	810,278	621,000	189,278	23.36%
Total liabilities	17,997,328	21,646,375	-3,649,047	-20.28%
Equity				
Paid Capital	250,000,000	250,000,000	-	0%
Reserves	96,231	96,231	-	0%
Retained Profit / Loss	(8,364,040)	(3,641,062)	-4,722,978	56.47%
Total equity	241,732,191	246,455,169	-4,722,978	-1.95%
Total liabilities and equity	259,729,519	268,101,544	-8,372,025	-3.22%

From the above analytical statement, the following is noted:

1. The decrease in the cash balance is offset by an increase in Certificates of Deposit and Islamic financing.
2. The increase in the fixed assets balance happened after closing Undergoing projects account.
3. An increase of 88% in the rate of lending to SME.

Table No. (2)

Analytical statement of the profit and loss account comparing the balances of the fiscal year ending on 31/12/2022 with the previous year

Description	31/12/2022	31/12/2021	31/12/2022	31/12/2022
	In Thousands IQD	In Thousands IQD	Absolute change	Percentage
Operations revenue				
Revenue from Islamic financing	24,602	29,239	(4,637)	-18.85%
Payable Fees	422,370	361,985	60,384	14.30%
Deducting Debtor Fees	148,102	42,985	105,117	70.98%
Net	274,268	319,001	(44,733)	-16.31%
Profit of selling and purchasing foreign currencies	1,435,263	894,280	540,983	37.69%
Miscellaneous bank income	25,525	20,511	5,014	19.64%
Total Operation Revenue	1,759,658	1,263,031	496,627	28.22%
Operations Expenses				
Employees' salaries and the like	904,942	919,299	(14,357)	-1.59%
Operational expenses	1,013,818	967,384	46,434	4.58%
Depreciations	961,631	964,390	(2,759)	-0.29%
Taxes and fees	135,195	131,989	3,206	2.37%
Cash Commitments Risks	1,203,783	-	1,203,783	100.00%
Other expenses	2,247,186	1,036,142	1,211,044	53.89%
Total expenses	6,466,555	4,019,353	2,447,202	37.84%
Net income before tax	(4,706,897)	(2,759,322)	(1,947,575)	41.38%
Profit/Losses of Financial Assets	(16,080)	(153,458)	137,378	-85.34%
Net income after adding Profit/Losses of the Financial Assets	(4,722,977)	(2,909,780)	(1,813,197)	38.39%
Net income for the period	(4,722,977)	(2,909,780)	(1,813,197)	38.39%

From the above analytical statement, the following is noted:

1. The increase in losses compared to the previous year was due to the increase in other expenses by 54% over the previous year.
2. Revenues from buying and selling foreign currencies is the main source of income and exceeds other banking activities.

The vision and mission according to the bank's sustainability value:

Proceeding from the vision, mission and values of Arabia Islamic Bank to be the most quality advanced bank in banking services which provide the best services and quality in banking transactions, and its mission is to adhere to the consolidation of the values of the Islamic sharia by dealing with everyone in accordance with the provisions and principles of the Islamic Sharia, serving the interest of Iraqi society. Moreover the bank is keen to achieve a balance between the interests of stakeholders, including shareholders, investors, customers, and employees, and our vision is "Together We Grow." We sought to reach everything new in the field of banking, technology, and digital, and to deliver modern banking products and services to various geographical regions and segments of society. Arabia Islamic Bank is committed to adopting the best standards of banking governance, based on the Board of Directors acknowledgment that corporate governance is of paramount importance to achieving the strategic plan of the bank in a way that achieves for its shareholders and other stakeholders a high degree of transparency that enables them to evaluate the bank's financial and administrative status and the ability to continue and achieve the objectives and strategy prepared for the bank.