



Annual Report, General Budget and Closing Balance

For the period from 1/1/2018 to 31/12/2018

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مصرف العربية الاسلامي ش.م.خ
AL ARABIYA ISLAMIC BANK

Chairman of the Board of directors Address



**((In the name of Allah, The All-Merciful, The Ever-Merciful))
(Chairman's of the Board of Directors Address)**

On behalf of my colleagues and members of the Board of Directors, I would like to welcome you all and thank you for accepting the invitation to attend the General Assembly meeting to discuss the Annual Report of the Arabiya Islamic Bank for the year ended on 31 December 2018. I am pleased to show you the achievements of the Bank in 2018 and its future plan.

Our valued shareholders...

Despite the recent establishment of the bank, the bank has been able to enter the Iraqi banking market through practicing banking activities by granting Islamic financing funds in 2017 and 2018. These funds were used in the financing of vital economic projects, whether in the field of tourism or trade and most of them were for medium and long term taking the form of Mudarabah (Speculation) and Musharakah (Sharing) amounted to a total of (101) billion Iraqi Dinars, which started yielding revenue on some of these funds during 2018 and the rest will be achieved in the coming years, God willing. On the other hand the Bank established, in adherence with the instructions and banking regulations and the standards and the requirements of the Central Bank of Iraq, a provision for the decline in the value of direct credit facilities (productive debt).

In spite of the recent establishment of the bank, the bank managed to attract deposits of about (90) billion Iraqi Dinars as at the end of 2018, accounting for 97.6% of the bank's liabilities. The bank also started to provide various banking services and products, including the initiation of the Central Bank's initiative on SME loans.

In terms of banking safety, all the financial indicators show the safety and strength of the bank's financial position, where the bank maintained a strong liquidity ratios and strong capital adequacy.

And to advance the various banking activities to cope with the progress in banking activities, the Board of Directors has approved a strategic plan for the coming years focusing mainly on providing a variety of electronic banking services that will meet the needs of the customers and contribute to the achievement of the goals of financial coverage, as well as improving the internal control environment and activating the procedures of corporate governance and developing human resources as well as developing the electronic systems and the diversification of the components of banking activities and revenues.

The Bank's plan has included horizontal expansion through the opening of branches in different areas and vertical expansion through the provision of a distinct and complete banking activities, in accordance with the provisions of Islamic Sharia (guidelines), which achieve the goals of financial inclusion in addition to the establishment of development companies that contribute to the economic development.

We would like to express our thanks and appreciation to all employees of the Bank for their outstanding efforts during the previous period. We also like to state our thanks and appreciation to the Central Bank of Iraq, in particular the Governor of the Central Bank, as well as the representatives of the Central Bank and representatives of the Companies Registration Department and the representatives of the Securities Commission for attending this General Assembly.

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

Ahmed Abdulmajeed Joma
Chairman of the Board of Directors

(Board of Directors Report)



The Board of Directors Report

On the activities of Al Arabiya Islamic Bank for the year ended at 31/12/2018

We hereby present to you the report of the Board of Directors on the activities and businesses of the Bank for the year ended at 31/12/2018, 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 provision of companies' accounting Law No. (1) of 1998.

First: - Brief Introduction about Al Arabiya Islamic bank

- On 5/2/2005, the United Arab Company submitted to the Central Bank of Iraq an application for a license to practice financial transfer. A license was obtained carrying the number 9/3/1059 dated 28/6/2005 issued by the Banking Monitoring and Credit Control Directorate In the Central Bank of Iraq.

- On 5/1/2008 the company transferred from a limited company to a private joint stock company and increased its capital to (500,000,000) five hundred million Iraqi Dinars.

- On 22/4/2008, the necessary legal procedures to increase the company's capital from (500) five hundred million Iraqi Dinars to (5) five billion Iraqi Dinars were completed, based on the letter of Companies Registration Department No. 30154 on 28/12/2009.

- On 2/2/2012, the necessary legal procedures were completed to increase the company's capital from (5) five billion Iraqi Dinars to (15) fifteen billion Iraqi Dinars, based on the letter of Companies Registration Department No. 2547 on 1/2/2012.

- On 9/9/2013, the necessary legal procedures to increase the company's capital from (15) billion Iraqi Dinars to (45) forty-five billion Iraqi Dinars, based on the letter of Companies Registration Department No. 22929 on 9/9/2013.

- At the end of 2015 and for the purpose of turning the company into an Islamic bank, the company's capital was increased to (100) one hundred billion Iraqi Dinars, where the procedures for such transformation were completed on 11/1/2016 based on the letter of Companies Registration Department No. (605) on 11/1/2016. And accordingly, the United Arab Money Transfer Company was transferred to Al Arabiya Islamic Bank on 12/1/2016.

- The capital of Al Arabiya Islamic bank amounted to (250) billion Iraqi Dinars in the General Assembly of the Board of Directors, which was held on 9/9/2016, through the issuance of new shares worth (150) one hundred fifty billion Iraqi Dinars for subscription in accordance with the provisions of Article 56/4 of the Companies Law. The necessary legal procedures were completed with the Companies Registration Department based on their letter No. S/H/2/23339 dated 7/12/2016.

Second: The bank's objectives

- The Bank generally aims to:

1 - Contribute to the economic development in the construction of the Republic of Iraq within the general framework of the country through the practice of comprehensive Islamic banking activities in



the fields of investment and financing to serve all economic sectors in a consistent manner with the provisions of the law of Islamic banks and the instructions of the Central Bank of Iraq and companies' law in force.

- 2 - Providing the best banking services to its customers inside and outside Iraq.
- 3 - Maximizing the return to the shareholders of the bank.
- 4 - Continuing to develop the skills and competency of the bank employees.
- 5 - Preserve its position among all Iraqi banks.

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

Third: The general budget of (2018)

1. Assets

- Total assets within the balance sheet (the financial position) at the end of 2018 amounted to 341,890 million Iraqi Dinar compared to 2017 with a total assets of 269,098 million Iraqi Dinar.

The composition of the asset items is as follows:

A - Liquid funds

The importance of liquidity is not hidden from banks because it measures the ability of such bank to meet its various obligations such as requests for cash withdrawals from customers' deposits at any time, so banks should always be ready to provide appropriate liquidity without adversely affecting its activity and objectives, The most important elements of liquidity in any bank is the cash available in its safes and with the Central Bank of Iraq and other banks, the balance of cash at the end of 2018 amounted to 192,132 million Iraqi Dinars (56% of its total assets).

B - Islamic funds represented by Mudarabah (Speculation) and Musharakah (Sharing).

As at 31/12/2018, the balance of cash credit in the Bank (within Mudarabah (Speculation) and Musharakah (Sharing) for the bank) amounted to 101,332 million Iraqi Dinars, representing 29.6% of the banks total assets. The Bank's management is heading towards further expansion of monetary and contractual credit and adding New Islamic products.

2. Liabilities and equities

- Deposits of the bank's customers amounted to 90,750 million Iraqi Dinar at the end of 2018, constituting 97.6% of total liabilities which amounting to 92,945 million Iraqi Dinar and 26.5% of total liabilities and equities. As for Equity, it amounted to 248,853 million Iraqi Dinar representing 73% of total liabilities and equity.



Fourth: Branches of the Bank

- The bank adopted in 2017 a plan to expand in the next three years through opening new branches of the bank in some Iraqi provinces, where a branch was opened in Erbil in 2018 and other branches shall be opened during the current as well as the coming years after obtaining the approvals necessary from the Central Bank of Iraq. It's worth taking notice that the current number of branches of the bank are (4) branches, (3) of which located in Baghdad (the main branch, Al Rashid branch and Al Karrada Branch), as for the branch outside of Baghdad, it is located in Erbil (Erbil Branch).

Fifth: The Financial Position of the Bank as at 31/12/2018

No.	Assets	In Million Iraqi Dinars	Relative importance
1	Cash and Funds with the CBI	152,832	45%
2	Cash with local and foreign banks	39,300	11,4%
3	Investments	25,000	7,3%
4	Islamic Funding	101,332	29,6%
5	Other Assets	397	--
6	Non-tangible assets	912	0,2%
7	Fixed assets	13,602	4%
8	Projects in progress	8,515	2,5%
	Total	341,890	100%

No.	Liabilities and equities	In Million Iraqi Dinars	Relative importance
1	Deposits	90,750	26,5%
2	Long-term loans	450	0,13%
3	Cash securities	1,125	0,3%
4	Other liabilities	34	--
5	Allocations	678	0,2%
6	Equity	248,853	73%
	Total	341,890	100%

Sixth: Names of the original and reserves Board members with the amount of their contribution as at 31/12/2018, and the names of the Chairman and members of the Shariah Board (Committee).

A – Original members of Board of Directors

No.	Name	Position	Number of Shares
1	Ahmed Abdulmajeed Joma	Chairman of BOD	2,000
2	Azhar Muayad Ahmed	Vise Chairman of BOD	2,000
3	Duraid Yaseen Hamdan	CEO	2,000
4	Abdulmunem Mahde Salh	Member	24,750,000,000
5	Hayder Akram Mohammed Ali	Member	2,000



B- Reserve Members of the Board of Directors:

No.	Name	Position	Number of Shares
1	Huda Abdulwahhab Hasan	Member	2,000
2	Jihad Mohammed Ali	Member	2,000
3	Ban Darweesh Fraree	Member	2,000

C- Members of the Shariah Board (Committee):

No.	Name	Position
1	Farooq Sheltag Mahde	Chairman of the Shariah Committee
2	Abdulqadir Mahde Saleh	Member
3	Mahi Yahya Sayhud	Member
4	Maryam Abdulhadi Abbas	Member
5	Ahmed Saleh Hussein	Member

Seventh: Salaries and wages

The balance of salaries, wages and bonuses paid to employees during 2018 amounted to about 1,046 million Iraqi Dinars, as a result of the increasing the Bank's staff. The Bank's management has adopted a policy of improving the standard of living of its employees. The number of employees at the end of 2018 reached (70) seventy employees.

The following table states the names of the top five employees who received the highest salary during 2018.

No.	Name	Place of work	Job description
1	Duraid Yaseen Hamdan	General Administration	CEO
2	Ali Hussein Jebur	General Administration	First vice CEO
3	Shatha Sabeeh Ali	General Administration	Second vice CEO
4	Dashti Abdullah Mohammed	General Administration	IT Manager
5	Ahmed Jaleel Ameen	General Administration	Payment Dept. Manager

Eighth: Employees Classification

A- Classification of employees according to Job Description as at 31/12/2018

No.	Job description	Number of Employees
1	CEO	1
2	Vise CEO	2
3	Consultant	1





4	Division Manager\ Compliance Manager\ AML and CFT manager\ Main Branch Manager	9
5	Branch Manger	3
6	Asst. to Division Manager\ Officer of the fortified rooms	13
7	Asst. Accountant	1
8	Observant	5
9	Asst. Observant\ teller	19
10	Cash Counter\ Information Officer\ Service employee\ Generator operator\ Guard\ Driver\ trustee	16
Total		70

B- Classification of employees by Academic Attainment as at 31/12/2018

No.	Academic Attainment	Number of employees
1	Master's Degree	2
2	Bachelor's Degree	47
3	Diploma	7
4	Upper-secondary school	9
5	Lower-secondary school	1
6	Primary school	4
Total		70

C- Administrative activity

- Human Resources Development: The Bank has offered a series of training programs in various fields and specialties related to banking activities in order to enhance the abilities, skills and competencies of its employees. Below is a summary of the number of participants in the training programs made in 2018:

No.	Course title	No. of Courses	Inside Iraq	Outside Iraq	No. of Participants
1	Installation of the database of LCs issued by banks	1	1	-	1
2	Workshop on International Information Update of Financial Reporting Standards	1	1	-	1
3	Financing Risk Management	1	1	-	1
4	The duties and responsibilities of the compliance and internal control departments of the Bank	1	1	-	2
5	AML and CFT	4	3	-	10
6	Statistical analysis using SPSS	1	1	-	2
7	A comprehensive and applied program aimed at increasing and developing the experiences of Bank's Staff	1	1	-	2
8	Banking awareness and public protection	1	1	-	1



9	Credit Information Exchange System	1	1	-	2
10	Corporate governance of the bank	5	3	2	9
11	Workshop covering LCR and Net Fixed Financing Ratio	2	2	-	3
12	Counterfeiting and fabricating of local and foreign currencies	2	2	-	1
13	IFRS 9 (Financial Reporting Standards)	2	2	-	3
14	Islamic Banking	2	2	-	4
15	Conference on Compulsory Reserve Adjustment	1	1	-	2
16	Workshop IT Questionnaire	1	1	-	1
17	Banking risk management and stress testing	1	1	-	2
18	Electronic House Clearing ACH	1	1	-	1
19	Workshop on the sanctions imposed on Iran	1	1	-	2
20	Workshop on SME Financing	1	1	-	1
21	Project on the Instructions System of Business Continuity	2	2	-	5
22	Guarantee Act on deposits and obligations made by the Bank	1	1	-	2
23	Preparation of quarterly budgets	1	1	-	2
24	Application of tax compliance	1	1	-	3
25	Information Infrastructure Course	1	1	-	1
26	Course on SWIFT messages in banking operations	1	1	-	1
27	Awareness and implementation of the security system and confidentiality of information	1	1	-	2
28	Banking Accounting	1	1	-	1
29	Due diligence in opening accounts KYC	1	1	-	2
30	Specialized Program for Human Resources Management	1	1	-	2
31	International Standards and FATF Recommendations Course	1	1	-	3
32	Preparation and presentation of the financial statements of banks in accordance with accounting standards	1	1	-	2
33	Islamic banking certificate	1	1	-	2
34	Certified Specialist in Governance	1	1	-	1
35	Swift Workshop	1	-	1	1
36	Western Union course	1	-	1	1
Total		48	43	5	82



Ninth: Other matters:

- Capital adequacy

The Bank complies with the instructions of the Central Bank regarding the calculation of the capital adequacy ratio, which amounted to 271% as at 31/12/2018, noting that the minimum rate required according to the instructions of the Central Bank is 12%.

- On going Lawsuits and Cases

There is one pending lawsuit made by the bank against a third party regarding a stolen (300,000) USD, and the judicial proceedings are still undergoing, and the bank has taken safety precautions with adequate funds provisions, noting there is no lawsuits and cases made against the bank until the end of 2018.

- Anti Money Laundering and Combating Financing of Terrorism Department

The Anti Money Laundering and Combating Financing of Terrorism department is constantly monitor the Bank's activities, in adherence with the laws and regulations issued by the Central Bank of Iraq, to prevent money laundering operations and financing of terrorism in accordance with the AML / CFT Law No. (39) of 2015 and the recommendations of (FATF) Working Group. The Department reports monthly and quarterly on cash transactions for amounts exceeding (10,000) ten thousand USD or its equivalent in Iraqi Dinars, as well as on foreign transactions sent and/or received of all types, in addition the job entrusted to the said department, for preparing quarterly reports of the activities, the AML\ CFT department also liable for notifying and raising red flags in correspondence to suspicious cases to the competent entities (The Office for AML\ CFT). The administration has given great deal of attention to this matter and has focused on training the staff through enrolling the staff in training courses and workshops, focusing on combating money laundering and financing of terrorism, inside and outside Iraq. In addition the bank was equipped with all latest necessary electronic programs for this purpose.

- Tax

The Bank is liable to pay to the General Authority for Taxation its activities tax on annual basis.

- Shariah Compliance and Compliance Monitoring Departments

The Compliance Monitoring department shall observe the Bank's compliance with the laws, instructions and regulations issued by the Central Bank of Iraq and the extent to which the policies and procedures approved by the Board of Directors are applied and review the policies and procedures of all departments to ensure compliance with the relevant laws and regulations. Thus the duties of Compliance Monitoring Department cover all bank's activities and operations, and as a way to strengthen the role of Compliance Department, the Compliance monitor was given a total independence and connected directly with the Board of Directors. Monthly reports are submitted to the Board of Directors and quarterly reports are submitted to the Central Bank of Iraq\ Banking Monitoring Directorate to determine the bank's compliance with the laws and regulations of the Central Bank of Iraq to stand on compliance issues for the purpose of correcting them and applying the highest standards of compliance in our bank.

- Risk Management Department

The Bank's administration has continued to develop and support a strong risk management infrastructure. The Risk Management Department has been intensively staffed and trained to improve their professional level. The department manages all risks faced by the Bank such as credit risk, market risk and operational risk.

Policies, procedures and appropriate mechanisms have been developed to enable this department executing its work. The independence of this department has been strengthened by the Board of Directors by linking it to the Risk Management Committee formed by the members of the Board of Directors through the direct reporting to this Committee.

The Board also approved, building on the recommendations of the committee, the adoption of acceptable risk document and the permissible limits after the Department prepared the approved risk matrix which was presented to the Board of Directors.

At the level of credit risk, the completion of the credit documents is followed up to ensure that they are documented properly in addition to preparing the necessary studies on the credit risks and concentrations related to such risks.

As for market risk, it is managed by monitoring and analyzing liquidity risk and through calculating gaps and risks arising from foreign currencies.

On the operational risk level, all risks are monitored. The departments and units in the Bank have been informed to report the losses and operational risks of these departments and units to Risk Management Department. The Bank has adopted key indicators and a matrix of risks to which the Bank is exposed, including Internal control systems, electronic risks, legal risks, etc. The Risk Management Department conduct stress tests which are one of the requirements of the Central Bank. The Bank is also contracted to obtain an automated customer risk rating program as well as support programs to calculate all types of risks.

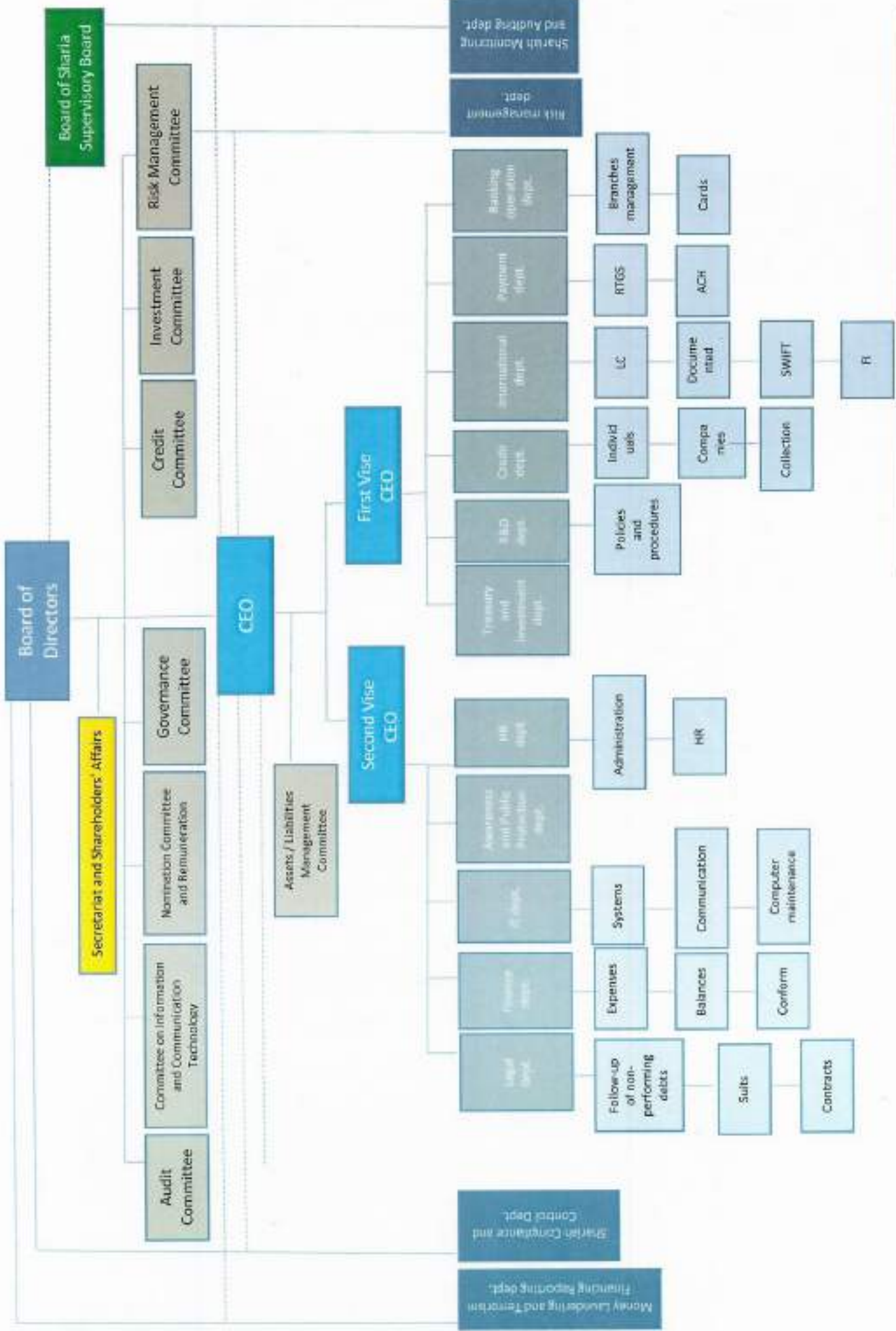
- Significant changes and events subsequent to the date of the financial statements

There are no significant matters that have a negative impact on the Bank's operation and going concern during the subsequent financial year following the preparation of this report.

Tenth: The organizational structure of the bank

The Bank has an organizational structure and an associated job description related to such structure that defines the authorities, responsibilities and departments. Amendments were made on the organizational structure during 2018 in light of the Bank's corporate governance requirements. The revised organizational structure ensures that the limits of authority and responsibilities for each department are clarified, in addition to separating conflicted functions taking into account the requirements of the Central Bank of Iraq, and the figure below shows the organizational structure of the bank.





Organizational Structure of Al Arabiya Islamic Bank
 At the Board of Directors' meeting No. (12) dated (30/9/2018)

Eleven: Banking systems used by the bank

A – Core banking systems;

No.	System's name	System's description	Department(s) responsible for the System
1	Banks	Core Banking System	All Branches and Departments
2	Online Banks	Core Online Banking System	All Branches and Departments
3	AML	AML System	AML Reporting Department
4	SWIFT	Foreign Money Transfer System	International Department- SWIFT Division
5	WESTERN UNION	Limited Foreign Money Transfer System	Erbil, Al Karada and Al Rasheed Branches
6	RTGS	Interbank Money Transfer System	Payment Department
7	ACH	Interbank money transfer and checks reading system	Main Branch and Payment Department
8	CBS	Credit Information Exchange System	Credit Department
9	Smart Clear	Linking payment systems to the banking system	Payment Department

B – Secondary Banking Systems

No.	System's name	System's description	Department(s) responsible for the System
1	Kaspersky S.C	System for protecting and managing staff computers	IT Department
2	Active Directory	Managing staff computers	IT Department
3	File Sharing	File Storage and Sharing System for employees	IT Department
4	Off Time Finger Print	Fingerprint System of employees	Management and Human Resources

Twelve: Corporate Governance from the perspective of the Board of Directors

- Corporate governance aims at improving performance and thus maximizing the value of the institution through the application of the principles of sound corporate governance. Therefore, the governance focused on the role of the Board and its committees in the control process, and defined its duties and responsibilities as well as the duties and responsibilities of its various committees and the conditions of relevance for its members. The role of executive management and the relevance of its members, and focused on the issue of separation between management and ownership, as well as the rights of each of the stakeholders and focused on integrity in dealing with them.

- The Bank has developed a guide for corporate governance and has been approved by the Board of Directors. This guide complies with the Corporate Governance Guide for Banks issued by the Central Bank of Iraq, as well as the adoption of the charters of the various committees of the Council. The policies and procedures for the Bank's work have been set and adopted by the board, The Board also adopted a strategy for the Bank for the coming years, set the general objectives of the Bank and the specific objectives for each of the years that the Bank has to achieve. The Bank also strengthened the role of the supervisory departments and their independence such as the Internal Audit and Sharia compliance Department, Risk Management, Compliance and anti-money laundering department as well as to create a strong control infrastructure in the bank. The board has set up an appropriate regulatory structure for the Bank to identify lines of communication and authorities, and the Bank has always sought to strengthen corporate governance.

- The number of meetings of the Board of Directors reached (16) sessions during the period from 1/1/2018 to 31/12/2018 included (27) resolutions mostly for the preparation of policies and procedures for the mechanism of work of the departments and the adoption of a guide for corporate governance, moreover establishing committees of the Board of Directors and other executive management in line with the directives of the Central Bank of Iraq and the Corporate Governance Guide and the organization of labor charters and the tasks for these committees after the appointment of the heads and members to them and initializing the work of these committees in accordance with the minutes of the Board of directors assembly held on 15/8/2017 (The fifth assembly of the Board of Directors) is as follows:

No.	Name of Committee	Number of minutes of the meeting committees
1	Governance Committee	2
2	Nomination and Rewards Committee	7
3	Risk Management Committee	9
4	Asset and Liability Management Committee	6
5	Information and Communications Technology Commission	6
6	Audit Committee (Accounts Auditng)	12

Thirteenth: Methodologies for Attracting Future Deposits

Based on the regulatory and supervisory role of the Central Bank of Iraq and his letter No. 9/3/80 on 20/2/2019, which included the pursuit of Islamic banks to reach the ratio of the standard of deferred payments, which should not be less than 30% of the total liabilities. Thus Al Arabiya Islamic Bank management has made efforts to introduce new banking products and services compatible with Islamic Sharia to support the process of financial inclusion and reach to an advanced ratio of the standard of Future Deposits as follows:

- 1 - Contributing to the initiative of the Central Bank of Iraq (SMP funding).
- 2- Murabaha selling to buy furniture for employees of governmental institutions.
- 3- Investment of funds of investment accounts in short and medium-term development projects that are done by prudent companies, to ensure high returns that encourage deposits in investment accounts.



- 4- Expansion of the opening of credits and LCs through the adoption of term deposits guarantees of cash for those credits.
- 5- Providing banking facilities with the guarantees of investment deposits and salaries settlements.
- 6- Studying the possibility of settling consumption bills (electricity bills for example) to achieve financial inclusion.

Fourteenth: The contracts entered into with others by the Bank

No.	Contract	Contract Amount	Contract Details
1	Contract with (ICSFS) company	500,000 USD	Specialized in the preparation, supply and maintenance of computer programs Integrated banking software
2	Contract with (KPMG) company	55,000 USD	Provision of advisory services, financial center evaluation, money laundering, compliance and risk management.
3	Contract of BayoTech AML Money Laundering System	45,000 USD	Control of Daily transactions and Suspicious Operations to Combat Money Laundering
4	Contract with Dot.jo company	20,000 USD	Designing the web site of the bank
5	Checks printing contract	20,000 USD	Preparing bank checkbooks for the bank
6	Contract with Madar AlArdh company	19,000 USD	Machine for printing and providing checks for the banks.
7	Contract Falcon security co.	5,700 USD	Providing security services represented by fixed guard
8	Casper Sky contract	3,160 USD	Supply, operating and application of antivirus licenses
9	Erbil telephone switch contract	1,750 USD	Suppling of the Panasonic type switch and connecting it to Baghdad location
10	Rent contracts	528 million dinars	Total lease contracts for branches of the bank including the main branch and General administration
11	Accounts Auditing Contract	30 million dinars	contract was signed with Khalil Ibrahim Al-Abdullah Company and Hashim Salim Company
12	Telephone lines Contract	350 thousand dinars	Invoice line / Zain company

Fifteenth: Financial Inclusion

- The Central Bank of Iraq is the main supporter of the application of the principles of financial inclusion through the establishment of rules and legislation to facilitate the procedures of banking transactions in all forms and the approval to provide financial services simplified and different for all society groups, whether these groups were institutions or individuals to manage their funds and savings properly and Security through legal channels (banks) with prices that are suitable for all and are easy

to obtain in such a way to ensure that the majority does not resort to informal means that are not subject to any control and supervision. The central bank is seeking to spread the concept of financial inclusion across the banking sector by asking banks to use modern electronic payment systems to achieve financial inclusion, economic growth, and poverty reduction, achieving sustainable development objectives for consumer protection, financing small and medium enterprises and providing financial products.

The benefits of financial inclusion are:

- Create a database for the market as a whole.
- Reduces the process of printing money (bank notes) and creates a kind of security.
- Reduces corruption and bribery.
- Integrating the informal market to the banking sector.
- Salaries settlement. The Bank seeks to gain the trust of citizens, especially employees of the public sector and the settlement of their salaries in an implementation of the instructions of the Central Bank, which gives the employees various possibilities such as reduction of time, effort and cost in various financial transactions and reduce dealing with cash and risks associated with such transactions.

Sixteenth: Accounting Policy

The Bank adopts the principle of maturity in its accounting policy, whether by recording revenues and expenditures or preparing final accounts. And for the second year, the Bank implements 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 main approach in making its records and in the preparation of data and statements and their organization as required by the provisions of the laws and regulations in force.

In conclusion, the Board of Directors extends its thanks and gratitude to the Bank's shareholders and employees who have dedicated themselves to the continuity of the Bank's work and to the management of the Central Bank of Iraq for its sponsorship of the banking personal which contributed to the development of the banking sector.

We wish everyone good luck

Duraïd Yaseen Hamdan
CEO

Ahmed Abdulmajeed Joma
Chairman of the Board of Directors





مصرف العربية الاسلامي ش.م.خ
AL ARABIYA ISLAMIC BANK

Shariah Committee



((In the name of Allah, The All-Merciful, The Ever-Merciful))
Annual Report of the Shari'a Supervisory Board
For the period ended 31 December 2018

((In the name of Allah, The All-Merciful, The Ever-Merciful))

Praise be to Allah, the Lord of the Worlds, and prayers and peace be upon our master Muhammad. The messenger of mercy to the worlds and to his family and companions.

Peace, mercy and blessings of Allah be upon you...

In accordance with the decision of the Board of Directors of Al Arabiya Islamic Bank to appoint a Shari'a Supervisory Board for the Bank. And based on the Bank's Articles of Association and the letter of commission signed with us, the Shari'a Supervisory Board shall present you its annual report for the financial period ending at 31 December 2018.

- The Supervisory Board has monitored the contracts related to the transactions and agreements concluded by the Bank during 2018 and the principles used in its transactions in order to express the opinion as to whether the Bank is in compliance with the provisions and principles of Islamic Shari'a as well as the fatwas and directives issued by the supervisory board.
- The supervisory committee has carried out the necessary monitoring procedures by examining the documentation and dealings made by the bank on the basis of testing each type of operations carried out by the bank. The committee also obtained information, data, explanations and access to the books and records that were requested and considered necessary to provide sufficient evidence to give reasonable assurance that the bank's transactions are not in violation to the rules and regulations of Islamic Sharia and issued fatwas.
- The committee has clarified a number of new banking matters and stating the Shari'ah ruling therein.
- The committee has responded to all the queries submitted to it and issued the required fatwas.
- The committee has monitored the level of compliance of the Bank with the provisions of Islamic Shariah and the Islamic Banks Law No. (43) for the year 2015 and the Shariah standards and accounting standards issued by the Accounting and Auditing Organization for Financial and Islamic Institutions.
- The committee reviewed the reports prepared by the Department of Supervision and Shariah Auditing on the activities and operations of the bank, as well as the observations and suggestions presented by the mentioned department and the actions taken by the executive management of the bank in relation to these matters.



- The committee reviewed the general budget of the Bank as at 31/12/2018 and the statement of income for the period ended on 31/12/2018 and the explanations for the financial statements as they provide a comprehensive picture of the Bank's work, the committee did not discover any wrong doings in what the committee reviewed.

- The responsibility of the Shari'ah Supervisory committee is represented by expressing an independent opinion and the statement of the Shari'a ruling in accordance with the rules and principles of Islamic Shari'a. As for the responsibilities of implementing, the rules and principles of Islamic Shari'a, it falls on the banks Administration. In accordance to what have been said, our opinions is as follows:

- The contracts and transactions executed by the bank during 2018, which we have been acquainted with have been made in accordance with the Islamic rules and regulations.
- All revenues realized were from sources consistent with Shariah rules and regulations.
- The responsibility to pay Zakat rests with the shareholders.

This report was released on Monday, 10 Sha'ban 1440 AH (corresponding to 15 April 2019)

We ask the Almighty Allah to bring us prosperity and guidance

Peace, mercy and blessings of Allah be upon you...

M. Farouk Shaltag Mahdi

Chairman of the Fatwa and Shari'a Supervisory Board

Ahmed Saleh Hussein
Member of the Board

Abdulqadir Mahei Saleh
Member of the Board

Mahi Yahya Sayhud
Member of the Board

Maryam Abdulhadi Abbas
Member of the Board





مصرف العربية الاسلامي ش.م.خ
AL ARABIYA ISLAMIC BANK

Auditors report



Respectable members of the Board of Directors of Al Arabiya Islamic Bank
Auditing Committee Annual report as at 31/12/2018

Greetings...

Based on the provisions of Article (24) of the Banking Law No. (94) of 2004 and the Islamic Banks Law No. (43) of 2015 and the instructions issued thereunder, we present the annual report of the Auditing Committee for 2018. The report is summary of the works of the Committee in its audit process of the comprehensive auditing of financial operations for the period mentioned, and as follows:

- 1- We have ascertained that the financial statements of Al Arabiya Islamic Bank for 2018 are prepared in accordance with the provisions of the Companies Law No. (21) of 1997 as amended. The Bank has complied with the legislation, regulations and instructions of the Central Bank in this regard. We obtained assurances that the financial statements and clarifications reflect the true financial position of the Bank. Ensure that the financial statements for 2018 include all information and clarifications that were necessary to protect shareholders, depositors and other stakeholders and were prepared in accordance with the applicable laws, regulations and instructions in force 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.
- 2- The bank's financial indicators were reviewed and found to reflect the soundness and reliability of the bank's financial position. The liquidity ratio was 139%, while the minimum standard ratio is 30%. The capital adequacy ratio was 271%, while the minimum standard ratio is 12%. Liquidity coverage (LCR) was 473% and net fixed funding (NSFR) was 280% while the minimum standard ratio is 100%.
- 3- We have confirmed that the accounting system used, the information systems, the book keeping and the used records are in line with the bookkeeping requirements, which included in our estimation, the recording of all assets, liabilities, utilization and all resources. It enables the Bank to prepare sound financial statements and reports that are accurate, reliable and clear in accordance with Islamic regulations and instructions issued by the regulatory bodies.
- 4- The internal supervision and Shariah internal auditing departments together with the accounts auditors carried out the inventory of fixed, cash and treasury assets. The auditing process was properly carried out and the inventory results were consistent with the supporting records. The evaluation process was carried out in accordance with the approved accounting principles, regulations and codes.



5- The internal audit plan of the Bank for 2018 was reviewed and found to be adequate and comprehensive. The audit results of the Internal Audit and Shariah Auditing Department were reviewed during 2018 for all of the bank's departments, banking activities, its various units and branches, and it was confirmed that it was carried out according to the approved annual audit plan. The results of the audit showed the integrity of banking operations and that they were in accordance with the policies and procedures approved by the Board of Directors and does not expose the bank to high risks.

6- The Committee also reviewed the internal control and audit systems of the Bank and ensured its adequacy and integrity.

7- The scope, results and adequacy of the external audit of the Bank were also reviewed and the Committee confirmed that it is comprehensive and covers all activities and risks to which the Bank is exposed to.

In conclusion, we offer our thanks to all attendees

And we extend our highest respected and appreciated

Chairman of the Auditing Committee

Hoda Abdel Wahab Hassan





مصرف العربية الاسلامي ش.م.خ
AL ARABIYA ISLAMIC BANK

Independent Auditors Report



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Dear respectable Shareholders of Al Arabiya Islamic Bank
Subject\ Independent Auditor's Report for the Financial Statements of
Al Arabiya Islamic Bank

The opinion:

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

The disclosure of the financial position as at 31/12/2018, the statement of profit and loss and other comprehensive income, the statement of changes in equity, the cash flow statement for the period then ended, and the explanations of the financial statements, including the summary of significant accounting policies.

In our opinion, and taking into account the audit results described later in this report, the financial statements of the bank present fairly, in all material aspects, the financial position of the Bank as at 31 December 2018, its financial performance and its cash flows for the period then ended, and are in adherence with the Financial Accounting Standards issued by Accounting and Auditing for Islamic Financial Institutions and International Financial Reporting Standards issued by the International Accounting Standards Board.

Basis of Opinion:

The audit has been carried out based on the AAOIFI Audit Standards and the International Auditing Standards issued by the International Federation of Accountants. Our responsibility under these standards is described below in the Auditor's Responsibility for Auditing Financial Statements section of this report. .

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

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



Important audit results:

Our audit results have shown the following observations and clarifications:

1. International standards:

A- The general budget and final reports for the years 2016/2017/2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) and were also prepared in accordance with the Islamic Financial Accounting Standards (AAOIFI).

B- As for the Islamic financing instruments, the relevant controls have been evaluated, guided by accounting and auditing standards for the Islamic institutions mentioned in the Central Bank of Iraq letter no. 9/3/289 on 1/8/2018.

C- The Bank did not apply the relevant procedures for the application of international accounting standard (IAS 36), related to the decrease in value of assets, especially the bank's owned land which amounted to 10 billion Iraqi Dinar, solid guarantees as well as real estate belonging to customers.

2. Cash:

A- The balance of cash reached (192) million as at 31/12/2018, which is 26% higher than the previous year's balance due to the increase in deposits and payable current accounts.

B- The balance of cash with foreign banks reached (39) billion dinars as at 31/12/2018, which constitutes 15% of the capital of the bank, taking in consideration that the ratio permitted by the Central Bank should be no more than 20%.

C- The cash flow ratio was 213% (ratio of cash to deposits and current accounts payable), which is an excellent ratio, on the one hand, and on the other hand indicates the lack of optimal investment of available resources.

3. Investments: -

A- The balance of investments amounted to (25) billion Iraqi Dinars as at 31/12/2018.

B - The above balance represents the capital of three companies that were incorporated in December 2018 which are:

First: Al Arabiya for Leasing Co. Ltd. with a capital of (7) billion Iraqi Dinars.

Second: Al Khieul Al Arabian for Agricultural and Animal Investments Co. Ltd. with a capital of 8 billion Iraqi Dinars.

Third: Al-Jazeera Al Arabiya Real Estate Investment Company with a capital of 10 billion Iraqi Dinars.

C- The approval of the Central Bank for the establishment of the abovementioned companies was obtained by the letter No. 9/3/22984 on 3/10/2018.



D - The budgets and final accounts of the above three companies have not been prepared due to the short period between their establishment and the time of preparing this report, the approval of the Registrar of Companies to merge their accounts with the next fiscal year 2019 was obtained under the letter 4904, 5199 and 5200 on 21/2/2019 and 25/2/2019 respectively.

Fourth: the economic feasibility studies for the abovementioned investment companies were prepared.

4 - Islamic financing:

A- Islamic financing amounted to (103) billion Iraqi Dinars as at 31/12/2018 before lowering the provision for depreciation. The Islamic Financing exceeded the balance of the previous year by (7) billion Iraqi Dinars.

B- Most Islamic financings are Mudaraba and Musharaka financing contracts under which the Bank contributes to the capital and these are carried at fair value compared to the return in consideration after deduction of depreciation. This is shown below.

Financing Type	Number of customers	Financing Amount (in Billion Iraqi dinars)	Ratio
Individuals participation Financing	3	42	41%
Mudaraba Financing / Companies	3	23	22%
Mudaraba Financing / individuals	14	38	37%
Total	20	103	100%

C- We noticed that the guarantees for Mudaraba contracts amounting to (61) billion dinars, some of which are non-solid guarantees contrary to the instructions of the Central Bank of Iraq in letter No. 9/2/209 on 14/9/2014 as shown below:

Number of Customers	Mudaraba Amount (in Billion Iraqi Dinars)	Type of Guarantees
1	20	Five Mudaraba contracts with solid Guarantee (Credit guarantee on real estate)
16	41	17 Mudaraba contracts with week (uninsured) guarantees (bills of exchange + checks)
17	61	Total

We recommend that solid collateral (real estate) ought to be taken when granting future financing in accordance with the instructions of facilitating the implementation of the Banking Law No. (4) of 2010 in order to preserve the bank's funds.

D- The ratio of Islamic financing to deposits was 114% taking in consideration that the ratio in the previous year was 640%. We recommend that the bank should comply with the instructions issued by the Central Bank in this field and comply with the allowed ratio of 70%.



E - Twelve Mudarabah contracts were extended the value of (18.5) billion Iraqi Dinars during 2018 for one time after the cash payment of the returns of the annual Mudarabah. Noting that the total annual revenues amounted to (1,029) billion Iraqi Dinars.

F- The total amount of the paid funds amounted to (12,558) million Iraqi Dinars, of which (6,350) million Iraqi Dinars for Mudarabah Contracts were fully paid as at 31/12/2018.

G- We have noticed that the bank has supported large part of the Islamic financing, given for customers, with the documents of feasibility study and financial statements that disclose the financial position of the customer. This came in adherence to Article (15) of Instructions No.(4) of 2010, and according to the instructions of the Central Bank under his letter no. 9/3/9636 on 25/4/2018.

H- We recommend that the credit base ought to be expanded, to avoid risk concentration and diversification of credit terms.

I- The minutes of the Board of Directors No. 16 dated 27/12/2018 decided to increase the percentage of guarantees to reach 100% in brokerage companies for the sale and purchase of foreign currency.

J- The Board of Directors also decided in the Minutes No. 16 to form a committee to evaluate the properties guaranteeing the Islamic financing granted to customers, and we did not identify the actual implementation of these procedures.

K- We recommend that Islamic finance should be diversified according to AAOIFI standards such as Murabaha, Salam, Parallel Salam, Leasing, Istisna'a, parallel Istisna'a and Islamic Certificates of Deposit (ICD), as an effective Islamic instrument, financing instrument and investment according to the CBI initiative.

L- We also recommend not entering into long-term financing in order to maintain distinct annual cash returns since the bank is still in its early years of operation.

M - We recommend that the approval of the Central Bank should be obtained in order to grant credit to the customer (Abbas Mohammed Ali Khorsheed), who is the brother of a member of the Board of Directors.

5- Contractual Credit:

The letters of Credit amounted to (7,500) billion Iraqi Dinars as at 31/12/2018 and the received contributions reached (1,125) billion Iraqi Dinars. This indicating that there is a weakness in this area, which requires stimulation of this activity to gain basic resources to the bank.

6 - Fixed assets:

A- The balance of the cost of fixed assets amounted to (14,891) billion Iraqi Dinars as at 31/12/2018 exceeds the balance of the previous year by 29%, most of the increase represents additions to buildings and facilities construction in buildings improvements.



B - The improvements of buildings mostly indicates works done to Head Office and the main branch and the rest is for the branches of Al Karrada, Al Rashid and Erbil.

7- Undergoing Projects:

The balance of this account amounted to (8,515) billion Iraqi Dinars as at 31/12/2018, which is 15% less than the balance of the previous year. Most of this balance represents an advance payment for the construction of a Head Office building and the main branch in Jadiriyah area. We did not review the actual completion rates reached at 31/12/2018 and the planning budget of the mentioned building that indicates the cost of construction and completion time.

8- Customers' deposits:

A- The balance of customer deposits reached (90,750) billion Iraqi Dinars as at 31/12/2018, which is higher than the previous year by 511%. This is a good indicator, which requires improving the type of service offered to customers to attract more deposits.

B- We noticed that the bank's rely on non-core deposits, which requires attracting basic deposits in order to avoid the basic risks.

C - The ratio of savings to total liabilities amounted to 2% as at 31/12/2018 taking in consideration that the permitted ratio should not be less than 30% according to the instructions of the Central Bank under letter No. 9/3/80 on 20/2/2019 issued by Islamic Banks Control Department regarding future deposits.

9 - Credit loans:

Al Arabiya Islamic Bank received a loan from the Central Bank of Iraq, with the intention of financing small and medium projects, the loan amounted to (500) million Iraqi Dinars at 8/4/2018. 50 million Iraqi dinars of the said loan deducted during 2018 by the Central Bank, noting that Al Arabiya Bank has used the loan abovementioned in accordance with the objectives specified at the beginning of 2019.

10 - Calculation of profits and losses:

A - The result of activity (profits) before tax was a profit of (767) million Iraqi Dinars. Noting that the previous activities resulted in loss amounted to (2,760) million Iraqi Dinars.

B - In our opinion, the annual profit achieved from the bank's activity is relatively low and not at the required level - The management has explained to us that the bank is still in its early years of operation and all necessary actions shall be made to achieve the strategic plan during the next fiscal year (2019).

C - We recommend that the cumulative surplus, value of (350) million Iraqi Dinars, should not be distributed until all the accumulated losses have been extinguished in order to maintain the nominal value of the Bank's capital.



D- Basic revenues accounted for 23% of total revenue, which requires entering into various operating activities with annual revenues and avoiding entry into long-term yielding operational activity.

11 - Capital adequacy:

The capital adequacy ratio (271%) which is higher than the 12% stipulated in the Banking Law. Most of the reason for this is the weakness of the contractual credit activity and the failure to calculate the operational risk.

12 - Auction window:

The purchases of foreign currency from the auction window of currency with the Central Bank of Iraq amounted to (2,111) billion Iraqi dinars as shown below. The Bank adopted the method of providing the last beneficiary's disclosure in accordance with the instructions of the Central Bank of Iraq in the Central Bank letter No. 20016 on 15/1/2017.

Transaction type	Amount in USD	Amount in thousands dinars
Transfers	-	2,075,853,850
Cash auction for citizens	-	16,386,300
Cash auction for exchange companies	-	18,635,400
Total	-	2,110,875,550

13 - Legal proceedings:

The Legal Department of the Bank has supported the absence of legal proceedings by third parties against the Bank and that there is one claim filed by the Bank against third parties regarding the theft of an amount of (300) thousand US dollars. The case is still under follow-up and has been subject to adequate provisions.

14 - Anti-Money Laundering:

The Bank has taken measures to prevent money laundering and terrorism financing in accordance with the provisions of the Law on Money Laundering and Terrorist Financing No. (39) for the year 2015, moreover a contract has been entered into with Biotech company to develop the AML system during the year 2017. When we examined the quarterly reports, we noticed the absence of suspicion cases.

15 - Risk Management:

We have noted through the quarterly risk management reports that:

A - Stress tests were carried out in accordance with the instructions of the Central Bank in their letter No. 9/6/330 on 12/9/2018.

B - There is no effective electronic system to classify customer risks related to money laundering operations.



16 - Reports of compliance monitor:

The Compliance Monitor reports were reviewed and checked for the year under review, the reports show us that their organization was in accordance with CBI instructions.

17 - Internal control:

In reviewing the internal control system we are aware of the need for audit programs based on the risk assessment process. We also recommend that the policy and procedures for regulating the work of the internal audit activity should be updated and that the staff of the internal control department be involved in specialized courses.

18 - Internal reporting:

An internal report was issued by us (management letter) no. 112 on 7/1/2019. The comments received were discussed with the bank's management.

19 - Strategic Plan:

The strategic plan for 2018 targeted the amounts planned below, we noted deviations between the actual realized and planned for the fiscal year of 2018. The Bank's management explained to us that there were a range of economic conditions that led to these deviations.

Account name	Planned (Million IQD)	Actual (million IQD)	Deviations (million IQD)
Revenue	13280	5767	(7513)
Expenses	7217	4999	(2218)
Net profit	6063	767	(5296)
Cash	120543	152831	32288
Total Islamic financing	142827	103481	(39346)
Letters of guarantee	13500	7500	(6000)
Current accounts payable	33402	90016	56614
Saving	742	207	(535)

19 - Disclosing professional fees:

The professional fees of the accountants amounted to (31) million IQD, as shown by the operating expenses statement for 2018.

Administration and Governance Officials' responsibilities for financial statements:

The Administration is responsible for preparing financial statements in accordance with legal requirements, Islamic financial accounting standards and IFRS, and internal controls that the Administration deems necessary to enable the preparation of financial statements to be free of material misstatement, whether due to fraud, manipulation or error.



In the preparation of the financial statements, the administration is responsible for assessing the Bank's ability to continue as a going concern, and disclosing when required about the issues are that may affect continuity of the Bank. In addition, uses going concern as the basis in accounting is used unless the Administration intends to liquidate the bank or terminate its operations or where there is no other realistic alternative to do so.

Those responsible for governance are also responsible for overseeing and monitoring financial reporting.

Auditor's Responsibility for Auditing Financial Statements:

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

Reasonable certainty is a high level of certainty, but it does not guarantee that the audit performed by us under the Islamic Auditing Standards and International Auditing Standards always leads to the detection of important distortions when they exist.

The distortion may arise from fraud, manipulation or error and is important if it is reasonably expected, individually or collectively, to affect the economic decisions of the beneficiaries based on those financial statements.

Other Information

The Administration is responsible for the other information contained in its annual report and to ensure that there are no material errors or inconsistencies in the information.

Other requirements:

In addition to the stated above, we list below the following observations in compliance with the legal requirements of Republic of Iraq:

1. An electronic accounting program (BANKS) has been adopted which, in our opinion, includes the recording of all assets, liabilities, expenses and income of the Bank. The internal control system also includes the necessary procedures to ensure the accuracy of these data.

The book collection used by the Bank and the manual records is in line with the requirements of the bookkeeping system and includes the assets, requirements and resources of the Bank and the uses of these resources.

2. The inventory of fixed and cash assets has been properly carried out by the Bank's management and under our supervision. The results of this inventory are identical to the



records. These assets have been evaluated in accordance with the accepted accounting principles and standards.

3. The annual report of the management and its financial and accounting information reflects the viewpoint of the Bank's management.

4. The financial statements have been prepared in accordance with Islamic Financial Accounting Standards, International Financial Reporting Standards and applicable laws and regulations and are in full conformity with the records.

Baghdad, Iraq

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مصرف العربية الاسلامي ش.م.خ
AL ARABIYA ISLAMIC BANK

Financial Statements for the period starting at 1/1/2018 to 31/12/2018



Al Arabiya Islamic Bank (LLC)

Disclosure of financial position as at 31/12/2018

Discription	Explanation	2018 (In thousands of Dinars)	2017 (In thousands of Dinars)
Assets			
Cash and balances with the Central Bank of Iraq	4	152,831,803	134,750,117
Balances with other banks	5	39,300,009	17,149,853
Investments	6	25,000,000	-----
Net Islamic Financing	7	101,332,497	94,118,917
Other Assets	8	397,108	372,015
Intangible Assets	9	912,888	1,434,128
Net Fixed Assets	10	13,601,501	11,202,705
Undergoing Projects	11	8,515,000	10,070,013
Total Assets		341,890,806	269,097,748
Liabilities and Equity			
Liabilities			
customer current deposits	21	90,750,404	14,846,453
Long term loans	13	450,000	-----
Cash Insurance	14	1,125,000	1,012,500
Other liabilities	15	34,434	4,944,940
Provisions	16	678,387	151,085
Total liabilities		93,038,225	20,954,978
Property rights			
paid Capital		250,000,000	250,000,000
Mandatory Reserves		80,461	64,155
Retained Profit / Loss		(1,227,880)	(1,921,385)
Total equity		248,852,581	248,142,770
Total liabilities and equity		341,890,806	269,097,748

Signed
Rana Abdulkareem Fajr
Accountant

Signed
Duraaid Yaseen Hamdan
CEO

Signed
Ahmed Abdulmajeed Joma
Chaiman of the BOD

In adherence to our report numbered 1251 dated 09/05/2019

Khaleil Ibrahim AlAbdullah and Partners Co.
For Accounts monitoring and Auditing

Hasim Saleem Matmrah
Chartered Accountant and Auditor

Al Arabiya Islamic Bank (LLC)

**Profit\ loss and other comprehensive income statement for the year ended at
31/12/2018**

Discription	Explanation	2018 (In thousands of Dinars)	2017 (In thousands of Dinars)
Operations revenue			
Revenue from Islamic financing	17	1,029,742	---
Commissions payables	18-A	244,878	94,314
Deducting: Debtor Commissions	18-B	59,804	339,693
Net		185,074	45,379)2(
Profit of selling and purchasing foreign currencies	19	4,520,509	2,536,273
Miscellaneous bank income	20	31,494	16,813
Total operation revenue		5,766,819	2,307,707
Operations expenses			
Employees' salaries and wages	21	1,046,186	1,021,974
Operating expenses	22	1,506,127	945,967
Depreciations	23	1,414,329	675,602
Taxes and fees	24	75,899	50,706
Risks of cash commitments	25	241,170	2,035,544
Exchange rate risk	26	100,000	-----
Other expenses	27	615,745	337,935
Total expenses		4,999,456	5,067,728
Profit (loss) before tax		767,363	(2,760,021)
Minus: 20% of the losses of previous years in accordance with Article 11 of the Tax Code 113 of 1983 as amended		383,682	-----
Net profit (loss) before tax		383,682	(2,760,021)
Deducting 15% tax		57,552	-----
Net profit (loss) after tax		326,130	(2,760,021)
Deducting 5% mandatory reserve		16,306	-----
Other comprehensive income		-----	-----
Cumulative surplus		309,824	-----
comprehensive income for the year		309,824	(2,760,021)

Al Arabiya Islamic Bank (LLC)

Statement of change in equity for the year ended at 31/12/2018

In Thousands of Dinars

Discription	Capital	Mandatory reserves	Cumulative surplus	Losses	Total
Opening balance at the beginning of the period	250,000,000	64,155	980,618	(2,902,003)	248,142,770
Additions deducting losses	----	-----	-----	383,681	383,681
Net profit for the current year	-----	16,306	309,824	-----	326,130
Balance at 31/12/2018	250,000,000	80,461	1,290,442	(2,518,322)	248,852,581

Statement of change in equity for the fiscal year ended at 31/12/2017

In Thousands of Dinars

Discription	Capital	Capital reserves	Cumulative surplus	Losses	Total
Opening balance at the beginning of the period	250,000,000	64,155	956,368	(141,982)	250,878,541
Additions during the period	-----	----	-----	-----	-----
Fetter settlements	-----	-----	24,250	-----	24,250
Adding Net loss / profit for the current year	-----	-----	-----	(2,760,021)	(2,760,021)
Balance at 31/12/2017	250,000,000	64,155	980,618	(2,902,003)	248,142,770



Al Arabiya Islamic Bank (LLC)

Statement of cash flows for the year ended 31/12/2018

Discription	2018	2017
Comprehensive income for the year / after tax	326,130	(2,760,021)
Modification of non-cash items		
deducting losses	383,682	-----
Depreciation for the current year	1,414,329	675,602
Income after adjustments(I)	2,124,141	(2,084,419)
Changes in operating assets and liabilities		
Decrease/ increase in Islamic financing	(7,213,580)	(94,118,917)
Decrease / increase in other assets	(25,093)	(370,015)
Decrease / increase in customer deposits	75,903,951	14,259,173
Decrease / increase in cash deposits	112,500	1,012,500
Decrease/ Increase in other liabilities	(4,910,506)	4,887,740
Decrease in provision	500,436	26,866
Net cash flows in operating activities(II)	64,367,708	(74,302,653)
Investment activities		
Increase in tangible and intangible assets	119,141	(858,272)
Increase in investments	(25,000,000)	
Increase in fixed assets	(3,400,467)	(11,351,566)
Increase in undergoing projects	1,555,013	(8,659,311)
Net cash flows from investing activities (III)	(26,726,313)	(20,869,149)
Financing activities		
Loans / Credit	450,000	-----
Reserves	16,306	-----
Net cash flows from financing activities(IV)	466,306	-----
Net cash flows (I+II+III+IV)	40,231,842	(97,256,221)
Cash at the beginning of the year	151,899,970	249,156,191
Cash at the end of the year	192,131,812	151,899,970

Al Arabiya Islamic Bank (LLC)

Statement of explanations related to the financial statements for the year ended at 31/12/2018

1. General Information:

The Board of Directors of the United Arab Money Transfer (Private Joint Venture Company), on 22/10/2015, decided to change the company to an Islamic bank, and increase its capital to 250 billion Iraqi Dinars for the purpose of practicing banking and financial activities, in accordance with the regulations and provisions of the Islamic Shari'a and Islamic Banking Law No. (43) for the year 2015. The approval of the Central Bank of Iraq was obtained by their letter No. 9847 on 20/6/2016. Moreover, the approval of Registrar of companies, a department of the Ministry of Trade, was obtained in their letter No. 605 on 11/1/2016, and the bank began its banking activities on 2/10/2016.

2. Application of new and revised IFRS standards

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

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

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

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

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

New and revised IFRS standards that are applicable on annual basis for periods beginning on or after 1st January 2018:

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

accounting model for the lessor in accordance with Standard No. 16 of the IFRS standards for the preparation of financial reporting compared to IFRS standards No.17.

IFRS standards No. 40 "Investment Property": January 1, 2018

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

2.3 New, Revised and Exported Standards Not Yet in force (continued)

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

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

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

Hedge accounting:

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

IFRS no. (9) includes an accounting policy option to defer the application of IFRS (9) "Hedge accounting" and to continue to apply IAS 39 "Hedge Accounting". The Bank has decided to exercise the option of accounting policy but the bank will apply the revised disclosures in the hedge accounting required under amendments to IFRS

(9) for preparation of financial statements instead of IFRS no. (7) Financial Instruments: Disclosures in the following financial statements:

Impairment:

The final version of IFRS 9 introduces a new individual model for measuring impairment losses for all financial assets including loans and debt securities measured at amortized cost or at fair value through other comprehensive income. IFRS 9 replaces the current model, "losses incurred" IAS 39, by the "expected credit losses" model to be applied in the future.

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

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

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

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

Assessment of the significant increase in credit risk:

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



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

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

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

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

Expert-based credit judgment:

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

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

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

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

3. ACCOUNTING POLICIES

• The financial statements of the Bank have been prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, and in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board in matters not covered by the Islamic Financial Accounting Standards and in accordance with applicable local laws and instructions issued by the Central Bank In this regard, compliance with the criteria in IFRS 1, in particular:

- All assets and liabilities to be recognized under IFRS are recognized.
- Non-recognition of items as assets or liabilities if IFRS does not allow such recognition.
- The reclassification of certain items for the purposes of presentation of the financial position was different from that in the consolidated accounting system as follows:
 - The calculation of the cash account is divided into two sub-accounts: cash and balances with the Central Bank and balances with local and foreign banks
 - Islamic financing account shown in net (after provision for impairment)
 - Separation of banking transactions from customer deposits.

- IFRS has been applied in the measurement of all recognized assets and liabilities and has not shown any differences from what have been previously applied.

- The application has included all IFRSs effective standards on 1 January 2017.

- The shift to international standards did not affect the financial position of the bank, due to the lack of differences in the measurement and simplicity of operations conducted by the bank. Consequently, there have been no increases or decreases in the outstanding equity balances from the previous period.

• **Basis of preparation:** The Bank adopts the historical cost convention in the preparation of its financial statements, except for investments in real estate and equity instruments carried at fair value through equity or through income items that are measured at fair value.

• **Currency of the report:** The financial statements are presented in Iraqi Dinars and all values are rounded to the nearest thousand Iraqi Dinars, unless otherwise stated.

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

	31\12\2018	31\12\2017
The Iraqi dinar exchange rate against the USD	1190	1190

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

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

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

Assets acquired for leasing (Ijarah Muntahia Bittamleek) are stated at cost less accumulated depreciation and any impairment in value in accordance with the lease

terms. The ownership of these assets shall be transferred to the lessee at the end of the term of the lease provided that all the rent installments are paid. Depreciation is calculated on a straight-line basis at rates that reduce the cost of the assets systematically leased over the lease term.

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

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

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

• **Investments in securities:** Investments in securities comprise debt instruments carried at amortized cost and equity instruments are stated at fair value through equity. All investments are initially recognized at fair value, which is the amount of consideration paid including direct purchase costs, except for investments carried at fair value through income statement, where acquisition costs are charged to the statement of income.

• **Fair value measurement of financial instruments:** The fair value of investments traded in regulated financial markets is measured by reference to quoted market bid prices at the close of business on the statement of financial position date. For investments that do not have quoted market prices, fair estimates of fair value are determined by reference to the present market value of a similar instrument or the estimated future cash flows. The equivalent cash value of the Bank is determined by the current profit rates of similar contracts in the terms and risk characteristics. Investments classified at fair value through equity The Bank is unable to determine its fair value on an ongoing basis such as investments that do not have an underlying market or other appropriate methods of obtaining fair value that are stated at cost less provision for impairment.

• **Impairment or impairment of financial assets:** At each statement of financial position date, financial assets other than those at fair value through profit or loss are assessed for impairment. Impairment of financial assets is when there is significant evidence that one or more events have occurred after the initial recognition of the asset and that the estimated future cash flows of the investments have been affected. Impairment of assets carried at amortized cost is measured as the difference between the asset's carrying amount and its estimated recoverable amount.

• **Fixed tangible assets:** tangible fixed assets are stated on the historical cost basis after the amortization of the accumulated losses and a loss of impairment or impairment of value, if any. Depreciation is calculated using the straight-line method in the light of the applicable instructions in Iraq and based on the estimated useful lives of the assets concerned, as follows:

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

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

• **Impairment or depreciation of tangible and intangible assets:** At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that the asset has suffered a loss or impairment in value. Estimate the recoverable amount of the asset to determine the extent of the impairment loss. Recoverable value is the higher of fair value less costs to sell and value in use. In determining the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the inherent risks of an asset for which the estimated future cash flows have not been adjusted.

• **Provisions:** Provisions are recognized as a result of an earlier event that establishes a reasonable legal or constructive obligation to the Bank and that it is probable that an inflow of economic benefits will be required to settle the obligation.

• **Current Accounts of Customer:** The Bank does not pay any profits on current accounts to customers. Transactions are measured at the monetary value expected to be achieved and received by the Bank at the date of the transaction. These are measured at their carrying amount at the end of the accounting period.

• **Investment account holders' rights:** Investment accounts include restricted and unrestricted investments received on a Mudaraba or Agency basis, including savings accounts and term deposits. All investment account holders' rights are carried at cost, plus accrued profit and related reserves. Reserves consist of investment risk reserve and profit equalization reserve. The investment risk reserve represents the amounts that have been allocated from the investment account holders' equity after allocating the Mudarib share to cover future expected losses. The profit equalization reserve is an amount allocated from Mudaraba income before the Mudarib share is allocated for the purpose of maintaining a certain level of return on investment.

• **Revenue recognition:** The Bank follows the following policies regarding revenue recognition and recognition:

- Profit from Murabaha sales is recognized when the income is determinable in the contract and can be calculated at the inception of the transaction. Income is recognized with the time proportion of the transaction. When the income from the contract is undefined or undisclosed, it is not validated unless it has already been verified or verified. The receivable income for accounts in arrears is not included in 90 days or more in the income statement.

- Mudaraba and Musharaka income is recognized when the right to receive payment or distribution is established by the speculator or partner. The receivable income for accounts in arrears is also not included in 90 days or more in the income statement.
- Income is recognized in the Ijarah Muntahia Bittamleek contracts after deducting the amortization on a time basis.
- Income from Salam and Istisna'a contracts is recognized on a time proportion basis when it is determinable and known at the commencement of the transaction.
- Commission income is recognized when earned.
- Other income from investments is recognized when the right to receive payments is established.
- **Income in violation of Islamic Shari'a:** The bank is to collect revenues from sources contrary to Islamic law in a special account spent for charitable purposes.
- **Zakat (charity):** Zakat is calculated in accordance with the Financial Accounting Standard No. 9 issued by the Accounting and Auditing Organization for Islamic Financial Institutions using the net investment method. Zakat is paid by shareholders and investment account holders themselves.
- **Income Tax:** The Bank calculates income tax in accordance with the provisions of the Income Tax Law No. 113 of 1982 and its amendments, which set the tax rate at 15% of net profit taxable.
- **Going concern:** The management of the Bank has made an assessment of the Bank's ability to continue and is satisfied that it has sufficient resources to continue its business in the foreseeable future and is not aware of any matters that may cause significant doubts about the Bank's ability to continue its activity.
- **Cash and cash equivalents:** Cash and cash equivalents maturing within a period of three months or less, including: cash in bank coffers, balances with the Central Bank, balances with banks and banking institutions, and deposits of banks and banking institutions that mature during the said period and restricted balances.

3. Significant accounting estimates:

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

- Provision for impairment losses on financing provided.
- Determining the fair values of financial assets that do not have a market price.
- Income tax provision.

- Estimated useful lives of fixed assets.
- Impairment of tangible and intangible assets.

4. CASH AND BALANCES WITH THE CBI: The details of this item are as follows:

In thousand dinars

Account name	31\12\2018	31\12\2017
Gold Coins	1,050	1,050
Cash in safes/ IQD	13,592,394	242,382
Cash in safes / Foreign Currency	5,608,618	1,231,631
Cash with the Central Bank of Iraq	126,390,499	130,448,757
Legal deposits with the Central Bank	7,239,242	2,826,297
Total	152,831,803	134,750,117

5. Cash with banks:

This item consists of the following:

In thousand dinars

Account name	2018/12/31	2017/12/31
Cash with local banks	22,367	49,981
Cash with foreign banks	39,277,642	17,099,872
Total	39,300,009	17,149,853

6. Investments:

This item consists of the following:

In thousand dinars

Account name	2018/12/31	2017/12/31
Long-term investments	25,000,000	-----
Total	25,000,000	-----



7. Islamic financing:

Details of this item are as follows:

In thousand dinars

Details	2018/12/31	2017/12/31
A) Granted financing		
Musharakah financing / individuals	42,395,000	28,395,000
Mudaraba financing / individuals	37,747,351	44,305,351
Mudaraba financing / companies	23,339,360	23,339,360
Total	103,481,711	96,039,711
Deducting		
Provision for impairment of direct credit facilities (productive debt)	2,149,214	1,920,794
Provision for direct credit facilities (non-performing loans)		-----
Net direct credit facilities	101,332,497	94,118,917
B - Statement of financial position		
Provision for credit impairment (debt generated)		
Opening Balance	1,920,794	-----
Additions during the year *	248,420	1,992,594
Retriever during the year	20,000	71,800
Closing balance	2,149,214	1,920,794
2) Provision for impairment of credit facilities (non-performing loans)	-----	-----

8. Other assets:

This item consists of the following:

In thousand dinars

Account name	2018/12/31	2017/12/31
Cash differences	-----	357,000
Insurance with Other	350	350
Affiliate advances	28,193	14,665
Non-current activity receivables	357,000	-----
Prepaid expenses	11,565	-----
Total	397,108	372,015



9. Intangible assets:

This item consists of the following:

In thousand dinars

Account name	2018/1/1	Additions during the year	Adjustments	Impairment for the current year	2018/12/31
Establishment expenses	972,122	---	(239,924)	228,110	504,088
Banking systems and software	462,006	120,285	-----	173,491	408,800
Total	1,434,128	120,285	(239,924)	401,601	912,888

10. Fixed assets:

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

In thousand dinars

statement	Lands Thousand IQD	Machinery and equipment	Means of transport	Furniture and fixtures	Decorations, fixtures and dividers	Improvements Buildings / leased	Total
Balance as of 1/1/2018	10,000,000	85,554	86,160	552,237	11,057	755,832	11,490,840
Additions during the year	-----	26,373	68,911	281,089	(11,057)	3,035,151	3,400,467
Balance as at 31/12/2018	10,000,000	111,927	155,071	833,326	-----	3,790,983	14,891,307
Cumulative impairment	-----	17,228	15,038	64,532	2,379	188,958	288,135
Adding current year's impairment	-----	19,769	31,014	151,941	8,678	801,326	1,012,728
Settlement	-----	30	(30)	-----	(11,057)	-----	(11,057)
provision balance 31/12/2018	-----	37,027	46,022	216,473	-----	990,284	1,289,806
Book Value 31/12/2018	10,000,000	74,900	109,049	616,853	-----	2,800,699	13,601,501
Book value 31/12/2017	10,000,000	68,326	71,122	487,705	8,678	566,874	11,202,705



11. Projects undergoing:

The details of the said item are as follows:

In thousand dinars

Account name	2018/12/31	2017/12/31
Projects Under Construction / Buildings and Facilities	8,515,000	10,015,000
Projects under implementation / systems and software	-----	55,013
Total	8,515,000	10,070,013

12. Customer deposits of a current nature:

The following table details the customer deposit accounts:

In thousand dinars

Account name	2018/12/31	2017/12/31
Current accounts payable Private sector / companies	67,746,756	3,743,312
Current Accounts Payable Private Sector / Financial Sector	-----	9,937,214
Current accounts payable Private sector / individuals	22,735,318	843,259
Savings Accounts	207,905	322,668
Checks in order of	38,425	-----
Amount received for registration of companies	22,000	-----
total summation	90,750,404	14,846,453

13. Borrowing:

In thousand dinars

Account name	2018/12/31	2017/12/31
long term loans (SMEs)	450,000	-----
Total	450,000	-----

14. Cash Insurance:

In thousand dinars

Account name	2018/12/31	2017/12/31
Letter of guarantee insurance	1,125,000	1,012,500
Total	1,125,000	1,012,500

15. Other liabilities:

The following are details of other liabilities:

In thousand dinars

Account name	2018/12/31	2017/12/31
Insurance received for banking operations	-----	4,297,292
Other liabilities	4,434	81,014
Due payments	30,000	566,634
Total	34,434	4,944,940

16. Provisions:

In thousand dinars

statement	2018/12/31	2017/12/31
Provision for exchange rate fluctuations	36,3351	36,335
Provision for liability risk	127,500	114,750
Allocations of cash differences	357,000	-----
Provision for tax	57,552	-----
Total	678,387	151,085

17. Income from Islamic finance:

In thousand dinars

Account name	2018/12/31	2017/12/31
Mudaraba income - individuals	757,742	-----
Mudaraba Income - Companies	272,000	-----
Total	1,029,742	-----



18. Commission income and bank fees:

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

In thousand dinars

Account name	For year ended at 2018/12/31	For year ended at 2017/12/31
Foreign transfer commissions	44,699	50,084
Westin Union Money Transfer Commission	5,193	39,559
Fees for internal letters of guarantee	168,721	2,279
Commission stamps sale	811	689
Other bank commissions	7,098	1,703
Various bank commissions	,17,079	-----
Commission of the issuance of checks in order of	1,277	-----
Total	244,878	94,314

B – Deducting Bank charges (payable):

In thousand dinars

Account name	For year ended at 2018/12/31	For year ended at 2017/12/31
Local banks\ banking commissions	54,014	334,861
Bank commissions / foreign banks	3,650	2,539
Expenses paid by investment accounts / savings	2,140	2,293
Various bank commissions	-----	----
Total	59,804	339,693
Total commission income and bank charges	185,074	(245,379)

19. Profits of buying and selling foreign currencies:

The following is a table detailing the item in question:

In thousand dinars

Account name	For year ended at 2018/12/31	For year ended at 2017/12/31
Revenue from sale and purchase of foreign currencies	4,520,509	2,425,263
Foreign exchange assessment income	-----	111,010
Total	4,520,509	2,536,273

20. Miscellaneous bank income:

The following is a table detailing the item in question:

In thousand dinars

Account name	For year ended at 2018/12/31	For year ended at 2017/12/31
Miscellaneous services and SWIFT	18,902	5,088
Sales and publications	3,889	11,725
Other income	8,703	-----
Total	31,494	16,813

21. Employees' salaries and the like:

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

In thousand dinars

Account name	For year ended at 2018/12/31	For year ended at 2017/12/31
Wages	321,042	358,334
Professional and technical provision	163,087	-----
Family provision	108,725	58,779
Compensatory provision	271,811	381,214
Overtime fees	780	-----
Rewards	43,877	115,330
Contribution to social security	38,496	25,012
Total wages of employees in the bank	947,818	938,669
Add other staff costs:		
Transfer of employees	12,037	8,716
Rewards for non - employees	-----	8,855
Training	86,331	65,734
Total	1,046,186	1,021,974

22. Operating expenses:

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

In thousand dinars

Account name	For year ended at 2018/12/31	For year ended 2017/12/31 at
Fuel and oil	18,184	28,752
Spare parts	-----	48
Supplies & Equipment	35,112	35,534
Stationery	10,109	12,293
Work equipment	9,429	400
Water and electricity	24,757	32,306
Maintenance of buildings and facilities	3,860	8,459
Maintenance of machinery and equipment	2,532	2,750
Maintenance of transport	2,198	1,505
Maintenance of furniture and office equipment	7,016	4,553
Services and Consulting	246,953	78,470
Advertising	9,393	5,071
Publishing and printing	11,275	36,717
hospitality	14,468	15,645
Rewards for non - workers	4,712	-----
Conferences and seminars	23,866	16,303
Transport of goods and communications	117,351	142,579
Rental of buildings and facilities	528,623	311,900
Subscriptions	175,759	49,182
legal services	49,704	62,402
Banking Services	45,396	36,263
Audit fees	31,000	45,000
Subsidies	2,845	-----
Other service expenses	131,585	19,835
Total	1,506,127	945,967



23 - Depreciation and impairments:

In thousand dinars

Account name	For year ended at 2018/12/31	For year ended 2017/12/31 at
Impairment of machinery and equipment	19,769	17,228
Impairment of Vehicles	31,014	15,038
Impairment of Furniture and office appliances	151,941	64,532
Impairment of decorations, fixtures and cutters	8,678	2,379
Impairment of Buildings improvements / leased	801,326	188,958
Amortization of intangible assets	401,601	387,467
Total	1,414,329	675,602

24. Taxes and fees:

This item consists of the following:

In thousand dinars

Account name	For year ended at 2018/12/31	For year ended at 2017/12/31
Taxes and fees	75,899	50,706
Total	75,899	50,706

25. Risk of Commitments/ Cash Equivalents:

In thousand dinars

Account name	For year ended at 2018/12/31	For year ended at 2017/12/31
Risk of Commitments/ Cash Equivalents	241,170	2,035,544
Total	241,170	2,035,544

26. Risks of exchange rate fluctuations:

In thousand dinars

Account name	For year ended at 2018/12/31	For year ended at 2017/12/31
Risks of exchange rate fluctuations	100,000	-----
Total	100,000	-----



27. Other expenses:

This item consists of the following:

In thousand dinars

Account name	For year ended at 2018/12/31	For year ended at 2017/12/31
Expenses of previous years	-----	22,250
Donations	-----	92,900
Provision for cash differences	357,000	-----
Compensation and fines	168,878	143,682
Special service expenses	89,867	79,103
Total	615,745	337,935

28 Off-budget operations (commitments and possible liabilities):

The following table sets out the bank's commitments on extra-budgetary operations:

In thousand dinars

Statement	For year ended at 2018/12/31	For year ended at 2017/12/31
Internal Letters of guarantee	7,500,000	6,750,000
External Letters of guarantee	-----	-----
Total		
Deducting: Insurance	1,125,000	1,012,500
Net Liabilities	6,375,000	5,737,500

