



Mashreq al-Arabi Bank  
مصرف المشرق العربي  
الاسلامي للاستثمار

# Annual Report

# 2021

## About the Bank

Welcome to AL-Mashriq Al-Arabi Islamic Bank for Investment

The Bank was established in July of 2018, by a group of prominent businessmen, with a capital of one hundred billion (100,000,000,000) IQD. It started its banking activities in November of 2018. The capital was later increased to one hundred fifty billion (150,000,000,00) in January of 2019.

AL-Mashriq Al-Arabi Islamic Bank for Investment aims to construct a strong infrastructure for all its branches in addition to increasing the quantity of its banking services to individuals or to companies alike.

The Bank also develops a number of distinguished banking services through creating alternative outlets to render services such as ATM devices, Customers Service Center and banking transactions service via the internet or phone applications.

The Bank also aims at expanding its branches in all Iraqi province to reach a total of 7 branches in 2021 in each of Baghdad, Basra, Umm Qasr Port, Abu Flous Port, Erbil, Mosul, Ramadi, and Karbala. The plan also includes increasing the qualified labor to render banking services; creating job opportunities by offering banking products according to Islamic law with the aim of holding prominent position in the Iraqi banking sector.

## Our goals

Our Bank focuses equally on the interests of its clients by rendering consultation services to individuals and industrial and commercial companies.

The Bank focuses in its growth on expanding its branches and increasing the number of services and Islamic products rendered to individuals and companies which would in turn increase the number of clients.

Guided by the aim of protecting the monies and deposits of investors and clients; the Bank adopts the highest local and international standards and spe-

cialized software in protecting and assessing risks related to the Bank's infrastructure. Such protection also includes the projects funded by the Bank or the investments in which the Bank is a party in accordance with Islamic law. This includes increasing the deposits and saving accounts, domiciliation of employees' salaries, and appropriate funds of fixed monthly payment.

The Bank always seeks to enhance the professional expertise and social competence of its employees by providing more targeted systematic training on the needs of the employees. This includes assessing performance indicators according to the most recent administrative development plans with the ultimate aim of increasing the quality the Bank renders to its clients with competitive prices. This will ensure the increase of the number of clients and the diversity of their activities.

### **Our tasks**

Raising and maintaining our position at the forefront of the world's leading Islamic banks by providing excellent services to our clients, moving forward on the path of growth and innovation, and ensuring continuous employee participation.

### **Our vision**

To be the most advanced Islamic financial institution in the world.

### **Our values**

- Integrity
- Customer Service
- Group Work Excellence
- Commitment in Responsibility
- Innovation
- Belonging

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**Head of Board of Directors**

**SADIQ KADHIM BAQIR AL-MASHAT**

**Board of Director's Members**

**GHADEER MOHAMMED AL-ATTAR**

**ALAA SAMAWI AL-ZUBAIDI**

**ABDULHUSSEIN ALI ASSON**

**MOHAMMED ALI HUSSEIN HASSON**

**Haidar Hamza Jody**

**Managing Director**

**ALI DHIYAA AL-HUSSAINI**

**Statutory Auditor**

**NIHAD SHEEA' ABD**

**MAHMOOD RASHEED IBRAHIM AL-FAHAD**



## Al-Mashriq Al-Arabi Islamic Bank for Investment

An Iraqi private shareholding company established in 2018 with a subscribed capital of 100 billion Iraqi dinars, increased to 150 billion Iraqi dinars at the end of 2019

 Iraq- Baghdad-Karada-Al-Masbah- Al-Masbah Intersection

 ALMASHRIQ ALARADI ISALMIC BANK

 [info@amb.iq](mailto:info@amb.iq)

 [www.amb.iq](http://www.amb.iq)

## Statement of Head of Board of Directors

**In the name of God, the Most Gracious, the Most Merciful**  
**Ladies and gentlemen, Members of the Board of Directors, and**  
**Distinguished Guests,**

Greetings,

I am pleased to welcome you in the Board of Directors meeting. On behalf of the members of the Board of Directors and me, it is our pleasure to present to you the annual report of AL-Mashriq Al-Arabi Islamic Bank for Investment, includes its activity results and the consolidated financial statements for the year ended on 31.12.2021. In addition to the future plans that the bank aspires to implement, this year has witnessed events that are known to anyone, represented in the repercussions and effects of Covid epidemic and the decline in oil prices. However, AL-Mashriq Al-Arabi Islamic Bank for Investment, as you have known, thanks to its vision and existing plans and scolding its banking cadres, has been able to transform the challenges and difficulties to opportunities and was able to prove its financial solvency without resorting to any kind of distress and from its own sources and the permanent upgrading of products and solutions supported by the digital transformation policy that the bank has been pursuing for years.

Regarding the global economic outlook, despite the risks related to trading, global economic performance is expected to grow by up to 5.7%, similar to 2020. The same goes for Iraq, and according to the economic and political conditions, the Iraqi economy is expected to achieve 7.5% growth during the year 2021, in light of the improvement of the macroeconomic factors, the deficit of

the state budget, and the country need for infrastructure reconstruction projects.

### **Distinguished Shareholders,**

Upon returning to the Bank's performance during the year 2021, despite the economic conditions mentioned, the Bank was able to grow with the financial position and the volume of customer deposits with it and achieve part of the qualitative and quantitative achievements at the administrative and organizational level. Thereby maintaining liquidity and improving the quality of assets, which will maintain its position within the Iraqi banking sector.

In terms of administrative and organizational achievements, the Bank continued to upgrade its system of procedures and regulatory environment by adopting its good organizational structure that meets the aspirations and vision of the Bank and its commitment to the corporate governance guide issued by the Central Bank of Iraq. A series of policies and procedures were adopted and implemented, which will facilitate business and services. In terms of technology rules and communication systems, its infrastructure has been developed to move to the central copy of the banking system and activating particular systems that will affect the improvement of the Bank's work and ability and develop its regulatory systems. To meet the Bank's customer requirements, the Bank has prepared its distribution channel deployment and development plan, this includes opening and developing branches in its new locations and expanding electronic distribution channels in terms of starting the e-card during 2021, deploying ATMs throughout the capital. With respect to human resources, the Bank is keen to begin attracting the Iraqi market's best talents to develop banking business.

## Gentlemen,

We in AL-Mashriq Al-Arabi Islamic Bank strive to improve the working methods, the system of procedures, the regulatory environment, the development of technological foundations for branches and departments, and investment in human resources in a way that contributes to obtaining the competitive and pioneering position of the Bank.

To continue to meet the needs of our customers and comply with the instructions of supervisory committees and international standards. The Bank will seek to take advantage of the opportunities available in the Iraqi market during the coming period based on the strength of our financial center, our customer base, our geographical spread, and the capital base. We hope that the year 2021 will bring prosperity to Iraq, which will contribute to the development of business and prosperity of activities.

As a continuation of the Bank's policy of strengthening the capital base and the shareholders' equity, the board of directors decided to submit its recommendation to the general board to recycle and retain profits to meet these requirements and to strengthen the Bank's equity base.

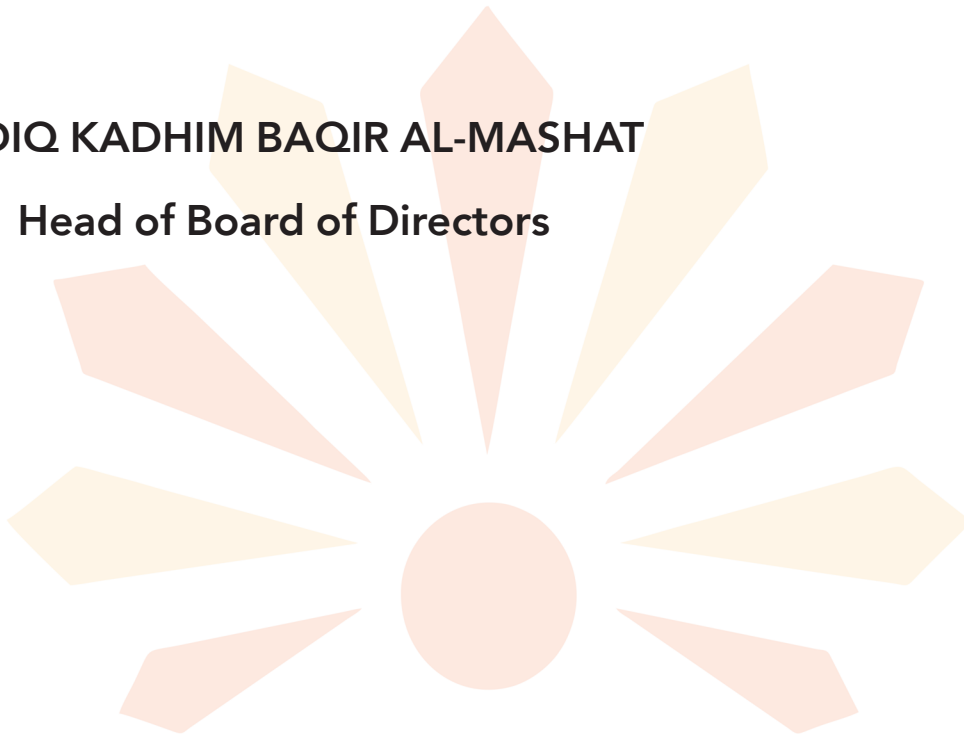
**In conclusion**, I thank on behalf of myself the Board and its members for their efforts and dedication to achieve these distinguished results in these difficult circumstances, and I thank Central Bank of Iraq, especially the Governor, for their continuous cooperation with us and for their role in supervision of the organization, support and stimulation of the banking sector in providing the reasons for growth and development.

I would also like to extend my thanks to Securities Commission, Companies

Registration Department, the Iraq Stock Exchange, the Iraqi Private Banks Association and our bank auditors. I also thank the shareholders of the bank for their continuous support, confidence and continuous support to us, and Board of Directors members for their contribution to the bank's strategy and continuous supervision of its performance and to all the bank's valued customers for their confidence in us.

**SADIQ KADHIM BAQIR AL-MASHAT**

**Head of Board of Directors**





## Board of Directors' Report





## Main Activities and Objectives 2021

### Analysis of the financial position and



## AL-Mashriq Al-Arabi Islamic Bank for Investment Private Shareholding Company Board of Directors' Report

### Overview of the Bank and its Activities

The Bank was established as a private shareholding company with a capital amounting to one hundred billion (100) IQD under Incorporation Certificate No. R.C. A/01-01000089976 dated 03.10.2017. The Bank carries out its business as an Islamic bank per the license granted by the Central Bank of Iraq in its Letter No. 9/3/8264 dated 09.04.2018. The Bank commenced business through its main branch in accordance with Letter No. 9/3/27527 issued on 28.11.2018 by the Central Bank of Iraq. The capital was increased in the first batch during 2019 by 50 billion, and the second batch during 2020 to reach an amount of 200 billion Iraqi dinars.

### Main Activities and Objectives of the Bank

The Bank carries out all types of Islamic banking businesses usually exercised by contemporary Islamic banks while observing Islamic law in all kinds of banking businesses including the opening of current accounts and saving investments accounts; granting Islamic funding and meeting customer's demands by opening documentary credits, banking guarantees, and external funding through selling and purchasing foreign currency at Central Bank of Iraq. The Bank aims mainly at expanding Islamic funding by developing and improving banking services and products offered by the Bank. Also, it aims at expanding customer's base by opening branches in Iraqi provinces to meet customers' demands un-

der the supervision of Central Bank of Iraq and as per Iraqi Banks Law No. 94 for the year 2004, Companies Law No. 21 for the year 1997 (as amended), Islamic Banks Law No. 43 for the year 2015, and Anti-money Laundering and Financing of Terrorism Law No. 39 for the year 2015.

## Board of Directors

The Board of Directors aims at establishing a significant, well-established, and stable institution on firm, solid, sound, and reasonable banking foundation as it is keen to full compliance with all laws, regulations, and instructions governing banking business. This shall help achieve a stable institutional entity capable of facing economic, political, and security challenges and circumstances, and avoid acute risks without the need for speculations. The Bank is keen on applying principles of corporate governance to be in line with reputed international banks. The Bank exercises its business within the scope of its responsibility to achieve full accuracy and adequacy of its financial data and information, which shall be mentioned thereafter in this report, section of activities and regulations of internal control and supervision. The Board of Directors exercises the following responsibilities:

- 1- Adopting plans to the Bank that are comprehensive in their vision, aims, strategic objectives, and core values in light of the General Board's approaches, and directing the Executive Administration to carry out those plans while supervising its performance and assessing and modify them if necessary, to ensure appropriate implementation of the said plans.
- 2- Supervising Executive Administration and following up its performance, verifying Bank's sound financial status and its adequacy, and adopting appropriate policies and procedures in the regular supervision and control of the Bank's performance.

- 3- Adopting a policy of supervising and reviewing the Executive Administration's performance by assigning Key Performance Indicators (KPI) and Key Performance Results (KPR) to determine, measure, and monitor performance and progress towards achieving the aims for which the Bank was established.
- 4- Ascertaining the availability of business policies, plans, and procedures at the Bank, which include all of its activities, comply with relevant laws, made accessible to all administrative levels, and are reviewed regularly.
- 5- Determining core values of the bank and establishing clear lines of responsibility and accountability for all Bank's activities; consolidating a culture of high moral and integrity standards and professional conduct for the administrators at the Bank.
- 6- Taking the responsibility of the soundness of all Bank's procedures including its financial status and reputation; implementation of the requirements set out by Central Bank of Iraq; the requirements set out by other supervising and organizing entities relevant to Bank's business; honoring stakeholders; ensuring management of the Bank within the framework of legislations and Bank's internal policies, and that the effective control is constantly applicable on Bank's activities.
- 7- Following-up the implementation of decisions made by the General Board.
- 8- Submitting the financial final accounts and lists (statements) of the Bank and the comprehensive report of the results of implementing annual plan to the General Board to be discussed and approved.
- 9- Confirming compliance with international standards in all activities and operations of the Bank.
- 10- Discussing and approving the annual plan and budgets related to Bank's

activities and following-up implementation of the same.

- 11- Forming committees of Board of Directors and electing members from the Board or other members.
- 12- Approving election of members to exercise their responsibility in Executive Administration's positions; assessing and following-up their performance regularly; supervising them and held them accountable; demanding clear explanation and exposition regarding the subject of accountability.
- 13- Appointing, and terminating the services of, the internal auditor; fixing his remuneration and bonuses, and assessing his performance.
- 14- Adopting internal control and supervision regulations to the Bank and review them annually; ensuring that the internal auditor (and Shari'ah Auditor in Islamic banks), in coordination with the external auditor (i.e. the comptroller), has reviewed these regulations at least once a year. The Board shall include adequacy of these regulations in Bank's annual report.
- 15- Ensuring independence of external auditor (i.e. the comptroller) from commencing business until present.
- 16- Adopting effective risk-management strategy and supervising its implementation. The said strategy shall include the level of acceptable risk; ensuring that the Bank avoids facing high-level risk; ensuring availability of the required and sufficient equipment and infrastructure for risk management at the bank, and that they are capable of determining, measuring, fixing, and controlling all types of risks faced by the Bank.
- 17- Ensuring that the Bank implements the basic principles of rational management as set out in (Rational Management Rules and Internal Control System), Instructions No. 4 for the year 2010.

- 18- Ensuring the availability of sufficient Management Information Systems (MIS) to cover all Bank's activities.
- 19- Disseminating a culture of governance at the Bank; urging all employees and Executive Administration to implement the same; and attending training courses related thereto. In addition, the Bank shall urge its clients to implement governance rules at their institutions. Moreover, the Bank shall ensure that its credit policy implements corporate governance to its clients, especially companies, in a way that assesses risks through weakness and strength points in accordance to their expertise in the field of corporate governance.
- 20- Ensuring that the Bank complies with sustainability principles set out in Appendix No. 1 hereof.
- 21- Taking the procedures required to separate shareholder's powers who own qualified tenure from the Executive Administration in order to enhance sound corporate governance. Thereby, finding suitable methods to reduce shareholders' impact who own qualified tenure.
- 22- Adopting an organizational structure for the Bank that determines the clear administrative chain.
- 23- Determining the executive powers related to Bank's businesses (be it the Managing Director, Executive Administration, banking operations, credit granting, or signing on transfers, cheques, warranties, guarantees, loans, mortgage, or letters of credit.)
- 24- Adopting succession planning for the Bank's Executive Administration and reviewing the same annually.
- 25- Ensuring that the Executive Administration is informed of the official website of Anti-Money Laundering Office with regard to daily lists of freez-



ing terrorist funds; informing promptly the Anti-Money Laundering Office and Banking Control Directorate at Central Bank of Iraq in the event of enlisting a person in lists of freezing terrorist funds.

26- Board of Director's overall performance shall be assessed at least once a year. The results of assessment shall be presented to the General Board by adopting regulations for assessment of Board's business which includes as a minimum, the following:

26.1- Setting specific objectives and determining the role of the Board with regard to supervision to achieve these objectives in a method measured annually.

26.2- Determining key performance indicators (KPIs & KPRs) for the Managing Director and Executive Administration which can be concluded from the strategic objectives of the Bank and the annual work plans and can be used to measure regular performance of Executive Administration.

26.3- Communication between the Board and the shareholders, and the necessity for making such a communication regular.

26.4-The need for regular meetings between the Board and the Executive Administration.

26.5-The role of the member and his responsibilities in Board's meetings and the extent to which he attends the said meetings. In addition, his performance shall be compared with other members', and the concerned member is required to submit feedbacks for the purpose of improving assessment.

27- The Bank shall submit to Central Bank of Iraq information related to members of boards or directors' committees and executive administrations of its subsidiaries within and without Iraq on a semi-annual basis and upon modify-



ing such information.

28- The Board of Directors shall supervise the quality of disclosure, flexibility, and information related to the Bank as a whole.

## Structure of Board of Directors

The Bank's Board of Directors consists of seven main members and four stand-in members. They have long banking, economic, and trading experience. They were chosen and elected by the General Board of the Bank among a number of nominees while observing instructions and regulations of Central Bank of Iraq thereon. The resignation of Mr. Ali Dhiyaa Al-Hussaini from his position as bank's managing director has been approved, and the powers and responsibilities to perform his duties have been granted to Deputy Managing Director, Mrs. Asrar Abdulhusein Al-Basri. The Board of Directors held eleven meetings in the year 2021 to study the matters presented to it which are related to different activities of the Bank. The meeting concluded a number of decisions and recommendations related to works and activities of the Bank. The members, among which is the Head of Board, did not receive any monetary or non-monetary award for attending such meetings. No transactions with the Bank were conducted by the members or the concerned entities except regular banking business.

Below are the details of the Head and the main Members of the Board of Directors as on 31.12.2021.

## Background about the Board of Directors:

Born in Baghdad, 1954

Holds Bachelor's Degree of Management and Economics

He worked in trade sector since 1971. He developed expertise in industrial sector since 1975, and he exercised trading, financial, and banking businesses. He held administrative positions in several companies. He is elected by the Central Bank of Iraq to be a member of the Committee of Developing and Facilitating the Work of State Banking Sector with Private Sector.



Sadiq Kadhim Al-Mashat

Head of Board of Directors

Born in Baghdad, 1979

Holds Bachelor's Degree of Political Sciences.

He worked in the economic, trade, industrial, and tourist fields by filling several leading positions in several active companies in Iraq. He filled the positions of Managing Director of Taj Al-Qithara for Travel and Tourism, Managing Director of Noor Al-Bidaya Company for General Contracting, Managing Director's Deputy of the Arabian Company for Manufacturing Automobiles and Machines.



Ghadeer Mohammed Al-Attar

Deputy Head of Board of Directors

Born in Baghdad, 1961

Holds PhD in Business Administration/Financial Administration

Assistant Prof. at Al-Mustansiriya University/ College of Administration and Economics Teaching and Supervision / High Diploma in Office Administration (Professional Ethics) / Master in Banking Management / PhD in Business Administration (Crisis Management) (Principles of Scientific Research) Diploma and Master's discussions and PhD for more than (25) years, since 2012 until 2018.

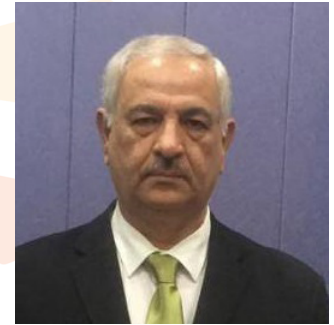


Haider Hamza Judi  
Member of Board  
of Directors

Born in Baghdad, 1960

Holds Bachelor's Degree of Accounting

Banking experience of up to 27 years, and he continues to submit his bids in the field of Islamic banking. He began working as the director of internal control at Rafidain Bank, reaching the position of Assistant General Manager of Rafidain Bank and then Director of Beirut Branch of Rafidain Bank. From the government service, he devoted himself to supporting the private sector, especially the Islamic sector, for banking work, as he worked as a consultant for Islamic banks in Iraq.



Abdulhussein Ali Al-  
Muntheri  
Member of Board of  
Directors

Born in Baghdad, 1954

Holds Post-graduate Diploma of Bank Management

He commenced business in the field of banking supervision and inspection at Rafidain Bank in the position of Head of Federal Board of Supreme Audit for five years. He moved to work in the same position at Rasheed Bank for seven years. He was later appointed to fill the position of President of Federal Board of Supreme Audit at Central Bank of Iraq for the years 1994-1993. He continued his work in the banking sector as Retired Expert in Federal Board of Supreme Audit in 2016. Then, he worked in the position of President of Legitimate Body of International Islamic Bank.



Alaa Samawi Al-Zubaidi

Member of Board of Directors

Born in Baghdad, 1942

Holds Bachelor's Degree of Trade and Economic Sciences

He exercised banking business at Rafidain Bank for a period of 42 years in all divisions and departments of the Bank; from accountant's degree to manager's degree. He worked after retirement in private banks in the position of Director of International Department.



Mohammed Ali Hussein Al-Jibouri

Member of Board of Directors

In addition to the foregoing, we enlist the names of stand-in members of Board of Directors and the shares owned by each as on 31.12.2021:

| No. | Name                       | Position              | Number of Shares |
|-----|----------------------------|-----------------------|------------------|
| 1   | Sami Ghani Khudhair        | Stand-in Board Member | 280,000,000      |
| 2   | Baqir Kadhim Baqir         | Stand-in Board Member | 19,600,000,000   |
| 3   | Wisam Farhan Mo-<br>hammed | Stand-in Board Member | 100,000,000      |
| 4   | Firas Abdullah Najim       | Stand-in Board Member | 151,950,000      |

- The Bank will work through the Board of Directors meeting to complete the required number of board members.

## Committees Emanating from Board of Directors:

### 1- Audit Committee

In the context of seeking a flexible management model, an audit committee was formed to support the board of directors in many areas and to assume the tasks and duties granted by its charter, which is considered as an authorization by the board of directors for the committee to carry out the tasks mentioned in it, which is under the laws, decisions, and provisions in effect. This guide of governance clarified the tasks and duties, which the committee carries out in detail, as it shows how it is formed, the conditions for holding its meetings, the quorum required to hold these meetings, and how it makes its decisions.

### 2- Nominating and Awarding Committee

The Nomination and Awarding Committee emanates from the Board of Directors to assist it with the tasks mentioned in it that are consistent with the laws,

decisions, and provisions in force. The Bank is considered one of the main pillars of the Bank, and it relies upon its advancement and achievement of its goals. It is among the tasks of the primary committee to prepare workers' policies and determine the Bank's needs for competencies at the level of executive management, as well as developing procedures for awarding and salaries of employees, members of the board of directors and executive management.

### 3- Governance Committee

It includes all methods and procedures for how the board and the Bank's executive management manage all activities and work centers. It thus represents the framework that organizes and governs relationships between working staff, members of the board, shareholders, and stakeholders, and how the interaction between all of these parties is in overseeing the Bank's operations to reach goals that lead to the Bank's interest And exploitation of all available resources and increase the effectiveness of the Bank's internal and legal control systems. The committee consists of three people, including the president of the council.

### 4- Risk Management Committee

The Risk Management Committee is related to the Board of Directors and is concerned with studying the potential risks of various contracts and activities that may be exposed to risks such as liquidity, interest rates, exchange rates, credit, and legal in addition to the market and operational risks. The importance of risk management lies in understanding the different positive and negative aspects of all banking services that affect the institution from During the periodic review of policies and procedures, their follow-up, and work to amend them whenever necessary, in accordance with the bank's activity, work, and risks.



## **Executive Administration:**

Chaired by the Managing Director, the Executive Administration takes the responsibility of carrying out the plans, policies, and procedures determined and established by the Board of Directors; and to effectively following-up its implementation. The Executive Administration exerts its best efforts by every means at its disposal to achieve the best results with regard to decisions and recommendations issued by Board of Directors in accordance with laws, regulations, and instructions related thereto. In this regard, we confirm that our Bank fully complies with all instructions and regulations issued by Central Bank of Iraq, Banks Law No. 94 for the year 2004, Companies Law No. 21 for the year 1997 as amended, Anti-money Laundering and Financing of Terrorism Law No. 39 for the year 2015, and Islamic Banks Law No. 43 for the year 2015, and the instructions issued thereof.

In order to achieve the optimum performance of the tasks entrusted to the executive management with high accuracy and smooth flow, many committees were formed in the Bank to study various activities according to competence and provide recommendations, proposals, and studies to the relevant committees established by the Board of Directors, including:

Committee 29 :Committees formed for Managing Director

## **Bank employees, their qualifications, and privileges:**

The Bank emphasizes, during its work, the building of a sound and thoughtful base of competencies and banking professionals and the support, strengthening and development of expertise through their engagement in scientific, practical and internal and external training courses and workshops to ensure quality, accuracy, and leadership in banking business. It aims at improving employees' per-



formance and motivating them to exert increased efforts. It seeks to achieve this through its adoption of reliable and advanced system to give workers incentives, rewards, and gratuities and to pay attention to the distinguished among them. Shown below are some of the information related to employees:

1-The number of employees in the bank on permanent staff employee at the end of 2021 is (106). Wages, allowances, and rewards were disbursed in an amount of (1,181,123,000) thousand dinars. The income tax of workers paid by the bank during the year was about (76,375,596) thousand dinars. Many employees were also involved in training courses to develop their accounting capabilities and competencies and prepare financial statements in accordance with international standards and advanced banking systems.

|    | Name                           | Title   |
|----|--------------------------------|---|
| 1  | Asrar Abdulhussein Al-Basri.   | Assistant Managing Director                             |
| 2  | Aws Ali Shakir                 | Director of Control and Shar'Al Auditing<br>Directorate |
| 3  | Zina Moafaq Abdulmajeed        | Director of Compliance Department                       |
| 4  | Saja Ghazi Rasheed             | Director of Finance Directorate                         |
| 5  | Motar Obaid Sribt              | Director of Branched Administration                     |
| 6  | Ali Saad Ismael                | Director of Credit Department                           |
| 7  | Suhad Waadallah Moham-<br>med  | Director of International Directorate                   |
| 8  | Haider Hadi Ahmed Kamou-<br>na | Director of Money Laundering Director-<br>ate           |
| 9  | Hasan Mounib Ali               | Department of Electronic Cards and<br>Emiratization     |
| 10 | Aliaa Munib Ali                | Director of Banking Awareness Director-<br>ate          |
| 11 | Ali Saad Hamoodi               | Director of Legal Directorate                           |

|    |                          |  |
|----|--------------------------|--|
| 12 | Ahmad Saad Lafta         | Director of Information Technology Directorate             |
| 13 | Jasim Mohammed Abdulaziz | Director of Human and Administrative Resources Directorate |
| 14 | Sameer Sami Kamil        | Director of Cyber Information Security Department          |

2- Below is a detailed list of the courses held and participated in during 2021:

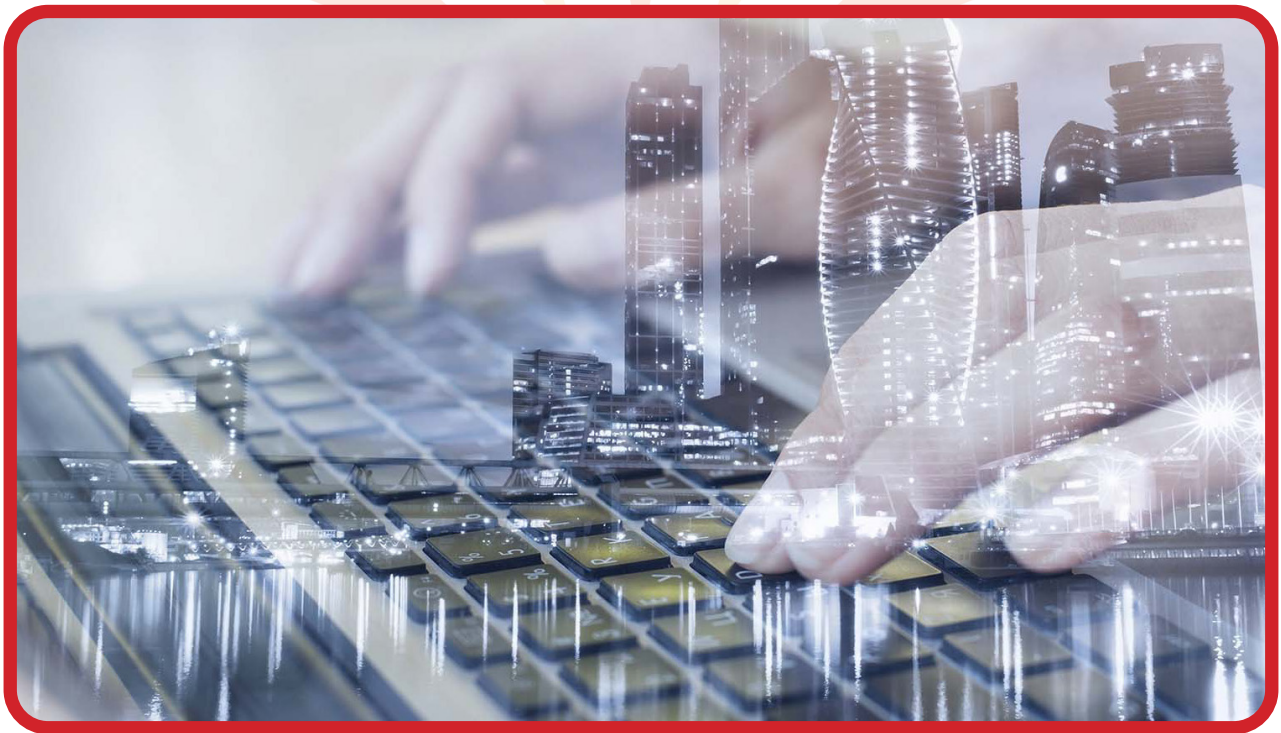
| No. | Location of Course                       | No of Courses/Workshops | No of participants |
|-----|--|-------------------------|--------------------|
| 1   | Central Bank of Iraq                     | 23                      | 25                 |
| 2   | Global Academy of Finance and Management | 4                       | 5                  |
| 3   | Dubai                                    | 2                       | 5                  |
| 4   | Banking Association                      | 2                       | 4                  |
| 5   | MKNET Company                            | 1                       | 2                  |
| 6   | ABC Company                              | 2                       | 3                  |
| 7   | Internal training course                 | 3                       | 23                 |

3- The names and titles of five bank members (of the permanent staff) who received the highest income during the year are shown below:

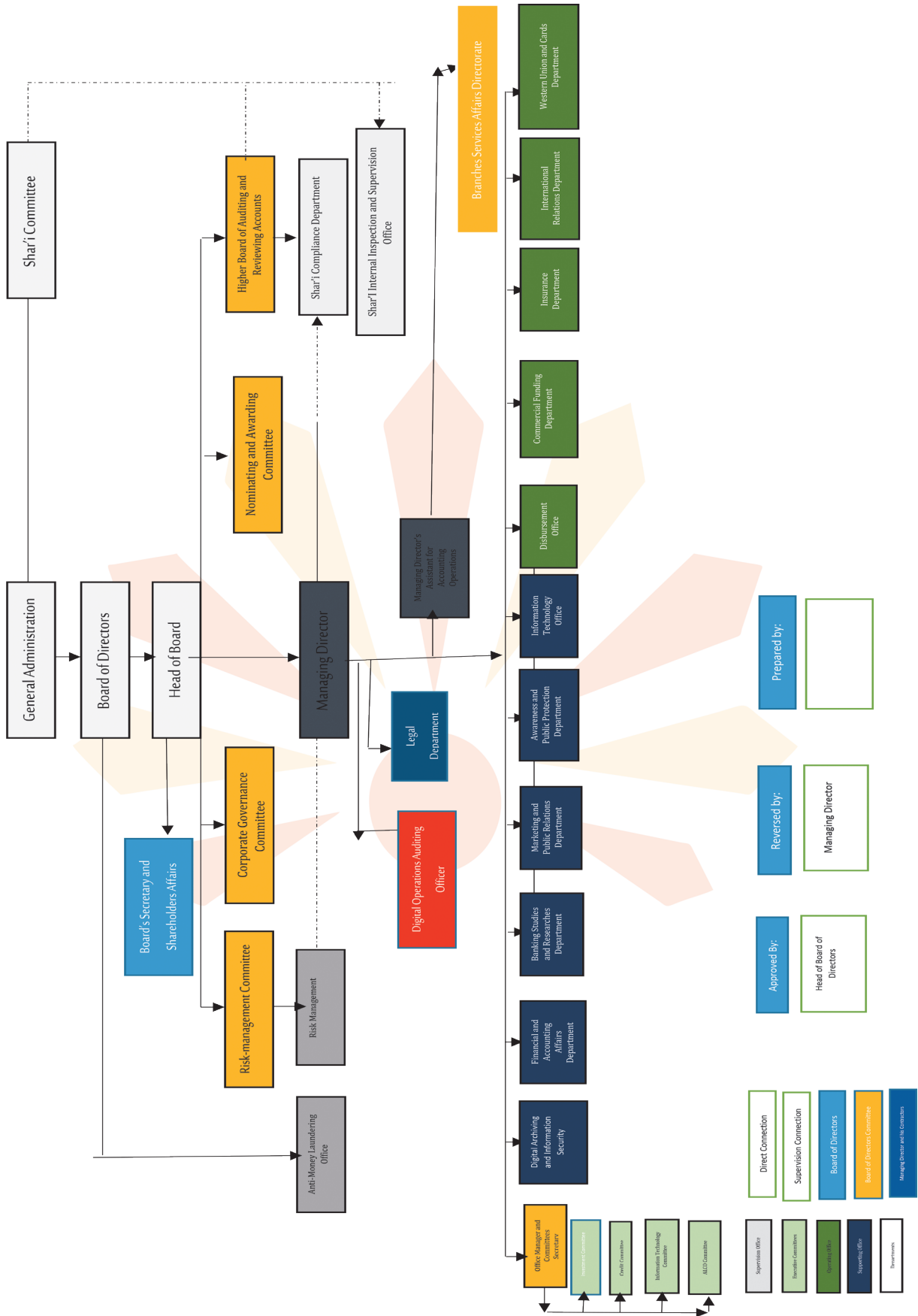
|   | Name                       | Title   |
|---|----------------------------|---|
| 1 | Asrar Abdulhusain Al-Basri | Assistant Managing Director                   |
| 2 | Ahmad Saad Lafta           | Director of Information Technology Department |
| 3 | Ali Saad Ismael            | Director of Credit Department                 |
| 4 | Ali Saad Hamoodi           | Director of Legal Directorate                 |
| 5 | Maitham Majeed Qasim       | Director of Main Branch                       |

4- Below is an illustrative schedule of the distribution of workers in the bank according to administrative and technical levels at the end of this year.

|   | Title                        | No |
|---|------------------------------|----|
| 1 | Department Manager           | 14 |
| 2 | Branch Manager               | 4  |
| 3 | Assistant Department Manager | 9  |
| 4 | Assistant Branch Manager     | 4  |



Organizational Structure of AL-Mashriq Al-Arabi Islamic Bank for Investment



## Financial Indicators for the year 2021

- 1- Despite the short period in which the bank practiced its business, i.e. the second year, as 2019 was considered a complementary year to the process of incorporation and the commencement of the banking business, the year 2020 is considered the actual year to start work mainly, and this was reflected on the accounts and assets of the bank. The reason for this is the bank's adoption of the methods, policies and procedures since the beginning of the establishment. Notwithstanding, the current accounts and deposits were 25,220,787,000() billion IQD, which is an indicator that the Bank commenced its business according to sound and correct procedures.
- 2- The Bank achieved profits amounted to (655,124,616) IQD.
- 3- Bank's total assets as on 31.12.2021 were (253,910,239,000) IQD.
- 4- Below is a statement of cash details as on 31.12.2021:

| Account Name                       | Balance/ One thousand dinar |
|------------------------------------|-----------------------------|
| Balances at Central Bank of Iraq   | 111,314,609                 |
| Cash in fund                       | 35,942,985                  |
| Cash at Domestic and foreign banks | 8,004,804                   |
| Total Cash                         | 155,262,398                 |

## Bank's Activity

The Bank seeks, since its establishment, to adopt a solid and thoughtful credit policy on scientific and practical foundations under Islamic Banks Law No. 43 for the year 2015 and in accordance with Islamic law. The Bank carries out all types of Islamic banking businesses normally exercised by contemporary Islamic banks taking into consideration funding in accordance with all types of Islamic funding methods such as murabaha, participations, arbitrage, tooling, etc. and

meeting customer's demands by opening documentary credits, banking guarantees, and external funding through selling and purchasing foreign currency at Central Bank of Iraq. The Bank aims mainly at expanding Islamic funding by developing and improving banking services and products offered by the Bank. In addition, it aims at expanding customer's base by opening branches in Iraqi provinces to meet customers' demands under the supervision of Central Bank of Iraq and in accordance with Iraqi Banks Law No. 94 for the year 2004, Companies Law No. 21 for the year 1997 (as amended), Islamic Banks Law No. 43 for the year 2015, and Anti-money Laundering and Financing of Terrorism Law No. 39 for the year 2015.

### **Electronic Banking System**

The Bank utilizes a comprehensive, international, and up-to-date electronic system in exercising its daily various businesses and activities to achieve speed, accuracy, and smoothness of business and to ensure offering the best banking services to customers of the Bank. Several other systems were also employed in business, especially with what is related to the Department of Reporting on Money Laundering and Terrorism Funding in addition to forming the required reports on Bank's administration and supervising entities foremost among them being the Central Bank of Iraq, Banking Interconnection Systems, and Iraqi System of Payments.



## Executive Management Departments and their Achievements:

### Money Laundering and Terrorist Financing Reporting Department:

Money Laundering and Terrorist Financing Reporting Department at our bank monitors the extent of the bank's compliance with the instructions, controls and the Anti-Money Laundering and Terrorist Financing Law

The work of the department is summarized by the obligation to check and audit the names of customers with the local and international ban lists before agreeing to open the bank account and check the "know your customer" form for the bank's customers, whether they are customers or companies, check the solvency and the extent to which the sources of funds fit with the customer's activity, follow-up to update them periodically, and check outward remittances from the bank before its implementation, continuous follow-up to the names of those banned from dealing according to the letters received from the Central Bank of Iraq, the Anti-Money Laundering and Terrorist Financing Office, and the Freezing Committee of Terrorist Funds on the banned lists, which makes the bank fully insured from dealing with customers related to suspicious operations. The department conducts field visits with our bank by entering the currency buying and selling window, in addition to visits to the bank's branches to ensure their compliance with the Anti-Money Laundering and Terrorist Financing Law and Ministry of Interior relevant instructions, as the department checks the names of customers on the ofak system, the Office of Control of Foreign Assets and Liabilities, before and after the execution of banking transactions. The department is also working on an electronic system for combating money laundering and terrorist financing, as the system gives alerts according to scenarios found in the system issued by the Anti-Money Laundering and Terrorist Financing Office.

We are keen to fully comply with the instructions received from the Central Bank



of Iraq and the Anti-Money Laundering and Terrorist Financing Office in order to protect our institution from any suspicious operations.

### **International Banking Relations Department:**

AL-Mashriq Al-Arabi Islamic Bank for Investment has a dedicated International Banking Relations department which acts as a point of contact for Corporate Relationship Management and a gateway to a wide network of correspondent banks across the world.

During the year 2021, the International Banking Relations Department worked to expand, develop and maintain relationships with banks and financial institutions around the world and provide a full range of correspondent banking solutions.

Banking Relations Department has a strong network of correspondent banks that form the bedrock of all our international operations. AL-Mashriq Al-Arabi Islamic Bank for Investment also aims to establish, strengthen and continue its correspondent relationships with various banks around the world. The bank also ensures operational efficiency and excellence at all levels of services in addition to its competitive rates for providing correspondent banking services.

Our correspondent banking activities include:

- Create correspondent relationships.
- Open Nostro accounts in various currencies to settle transactions.
- Maintain a network of correspondent banks that includes Anti-Money Laundering, Know-Your-Customer System and due diligence procedures.
- Provide multiple options for external bank transfers.
- Provide the requirements of international correspondent banks and ensure

adherence to international standards.

- Understand and negotiate with foreign banks and foreign financial institutions and concluding agreements and contracts.
- Relationship Management Agreement (RMA), and Swift Authentication Keys.

### **Internal Shari'ah Control and Audit Department:**

The main purpose of the internal Shari'ah control and audit functions is to assist the bank's board of directors, supreme audit committee, Shari'ah board and the executive management in the bank to fully carry out their responsibilities. The department's management aims to provide these bodies with analysis, evaluation, and recommendations on the activities that the management audited, and it also aims to raise the level and effectiveness of supervision in all of the bank's work. Shari'ah Audit Department submits reports to the Shari'ah Supervisory Board on the extent of the bank's compliance with the Committee fatwas and with the Shari'ah Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

In a more precise sense, the Shari'ah audit is an independent and objective examination of the extent of the bank's compliance to the principles and provisions of Islamic Shari'ah, the extent of the bank's commitment and management, and the decisions and fatwas of Shari'ah Supervisory Board in the exercise of all its activities. Department's activities and its general objectives can be summarized in three areas:

1. 1- Submitting reports and evaluation to the bank's Board of Directors, the Audit Committee, and the Executive Management on the effectiveness of the policies and systems of procedures in the bank, and the evaluation and fi-

financial results of the departments and branches and for any activity or product offered by the bank.

- 2- Presenting an evaluation to the Board of Directors, the Audit Committee, and the Executive Management on the effectiveness of the internal Shari'ah audit function in the bank.

Providing support and assistance to the banks departments and branches to carry out the tasks required.

### **Branches Management Department**

The tasks of Branches Management Department for the year 2021 included following-up the completion of the procedures related to opening branches of the Bank as per Branches Plan for 2021. A branch was opened in Ramadi, banking business in the said office commenced on 31.01.2021 after the branch building was prepared according to Central Bank of Iraq controls, in addition to the opening of Karbala branch on 08.08.2021.

Follow-up on the progress of the banking work in the branches, developing and opening new business horizons in them. The bank also worked on preparing the requirements for the success of bank's work in operating branches and strengthening their job cadres and according to the needs of the branch.

The branches are visited periodically to follow up on their banking activity carried out by each branch and the proposals and obstacles that affect the implementation of the operational plan. Branch managers are urged to move to government departments, companies and contractors working in the governorate. These visits and directives have resulted in the activities of the branches, as a number of letters of guarantee and financial competencies have been issued. Opening settlement accounts for employees of Basra Governorate Police Com-

mand and granting loans to the Central Bank's initiative for small and medium projects for our branch in Basra Governorate, as well as for the Ramadi Branch, while dealing with the issuance of the documents of Anbar Passports Directorate. A number of letters of guarantee have been issued and the salaries of Karbala Municipality and the Karbala Governorate Police Directorate have been settled, and the instruments related to oil derivatives and passports are being worked on. Within the operational plan, which includes opening a branch of our bank in Karkh side of Baghdad Governorate, and we are in the process of finding a contract for the purpose of preparing it within Central Bank's controls for the practice of banking business.

The economic feasibility study was completed to open a branch of our bank in Mosul, due to the presence of the reconstruction campaign in the governorate and the establishment of most of the private banks to open branches in the aforementioned governorate.

Note that Central Bank of Iraq was approached and the initial approval was taken to open the Mosul branch.

### **Human and Administration Resources Department**

The work completed during the year 2021, including the salary scale, where a new salary scale was established to match and compete with the labor market and was applied to the new hired employees.

As for the employees' files, most of the employees' files were checked and notified of the shortage in them and requested to provide it to us and follow up on it. Work is underway to complete it in full and for all employees of the bank's departments and branches, in addition to archiving it electronically.

A database was created for employees containing all their personal information

for easy access upon request.

In terms of direct deduction tax 2021, the (Income Tax) form for direct deduction was distributed and was done mathematically by us with the participation of Mr. Sinan Duraid Salem, fully audited, conformed and delivered to the legal department with a total number of (128) forms alongside all its attachments, to obtain a clearance for the year 2021 from General Commission for Taxes.

As for the Annual Statement for the year 2021, the annual statement forms were prepared according to the increase in the salary subject to the guarantee and its divisions with the allocations, and it was matched with the Social Security Department without any financial fine.

As for the Fingerprint System, the use of the fingerprint system has been transferred from the Administrative Division to our department and work to withdraw its reports daily and notify the violator of the deduction by e-mail.

As for the employees' evaluation, a employee evaluation form has been prepared and circulated to all employees of the bank's departments and branches and re-assembled after evaluating all the direct managers and it will be fully studied and a report prepared.

As for the organizational structure, a special organizational structure has been prepared for all sections of the bank and its employees, and it is periodically modified and in coordination with the Studies and Research Department Director.

Finally, carry out works and daily follow-up of:

- 1- Issuing all administrative orders related to (appointment, resignation, clearance, transfer, dispatch, ....., etc.) and archiving them electronically and manually.

2. 2- Responding Central Bank of Iraq letters as far as it is concerned with us.
3. 3- Conducting interviews with candidates for vacant positions and selecting the most appropriate according to the appointments committee.
4. 4- Preparing monthly lists for each of (salaries, guarantees and taxes).
5. 5- Forming a special procurement committee and working on submitting offers on materials instead of purchasing directly.
6. 6- The permanent advance of our department has been dispensed with, and only the procurement committee is relied upon.

### **Risk Management Department:**

The Risk Department prepares the quarterly and semi-annual reports attached to the pressure tests and presents them to the Risk Management Committee for the purpose of discussion and approval by the Board of Directors for the purpose of identifying the risks surrounding the bank and how to deal with them either by avoiding the risk, transferring the risk, reducing the risk, or accepting the risk. A decision is concluded through the controls and instructions of Central Bank of Iraq and the policy of the bank. Semi-annual reports are sent to the Central Bank of Iraq. The report includes all the risks that the bank may be exposed to, which are:

Financial risks, liquidity risks, currency fluctuations risks, legal risks, non-compliance with Shari'ah risks, reputation risks, monitoring and following up the financial ratios represented by the balance of basic and non-core deposits from the total deposits, following up on the extent of concentration of the largest 20 depositors to the total deposits, following up on the risks of credit concentration in terms of (activity, geographical distribution and the credit granted according



to the governorates ....). Among the priorities of following up on the financial ratios referred to by the Central Bank, not deviating from the ratios, and setting treatments when deviating from the ratios, sending a self-evaluation to the departments quarterly for the purpose of monitoring risks and setting the impact, probability and severity before and after the procedure.

Risk Management Committee members were selected for approvals by the Central Bank of Iraq, where the department submits reports to the committee and any risks that are monitored for the purpose of treatment and mitigating.

### **Banking Awareness and Public Protection Department:**

The Banking Awareness and Public Protection Department is one of the main departments to aware and educate the public about banking and financial services and improve the relationship between the customer and the banking sector for the purpose of achieving financial inclusion and economic stability. The department is based in its work on the instructions, controls and consumer protection guide of Central Bank of Iraq, where this department was created by the Central Bank of Iraq for the public based on what stated in Central Bank of Iraq's guide to consumer protection in its Letter No. 9/1/7/427 dated 07.11.2016 within Banking Awareness and Public Protection Unit Controls, which is concerned with providing various banking advice, receiving public complaints and protecting customers from risks that may they are exposed to through their banking dealings, so the regulatory frameworks of policies and procedures have been put in place to ensure their access to various financial services within an integrated framework of disclosure and transparency in financial dealings to ensure that they obtain their rights and not harm their interests. The Awareness and Public Protection Department plays an important role in improving the quality of finan-

cial services provided to clients. It also contributes to encouraging individuals and increasing their interest in using financial services. It does not only include the protection of existing financial sector clients, but also helps to enhance confidence in the financial system of potential clients. To avoid obtaining inappropriate financial services and products that may harm their interests, which calls for a system to protect the financial public to take into account and achieve the following principles:

- Financial awareness and education for products
- Protection of privacy and confidentiality of information
- Disclosure and transparency
- Professional conduct
- Fair treatment of customers
- Privacy of customer information
- Handling complaints and grievances of customers

It also takes into account the needs of customers, especially those who do not have the necessary financial culture.

### **Department duties and responsibilities:**

1. Setting the organizational and functional structure of the department and defining and distributing tasks;
2. Advertising and promoting banking services on social networking sites;
3. Sending quarterly reports on a regular basis to the Central Bank of Iraq;
4. Participating in conferences and workshops; and

5. Placing illustrative and guiding panels in all bank branches showing the progress of completing transactions.

### **Department duties with regard to customer complaints:**

1. Responsibility in educating and protecting the client and implementing the instructions issued by the Central Bank.

2. Providing the necessary means to receive complaints submitted by customers by preparing a unified form for complaints, in which the mechanism for submitting the complaint, the documents and required information and other matters related to the pillars of the submitted complaint are determined and sent through the following means:

A - Delivering it directly to Banking Awareness and Public Protection Department.

B - By the complaints box in each branch.

C - By the department's e-mail.

D- By the bank's website.

Y- By the department's phone.

3. Explaining the services provided by the bank and clarify the procedures required to complete each service.

4. Examining complaints submitted by customers who have dealings with the bank or who have accounts with it in accordance with the concluded contracts.

5. Committing to the necessity of answering the complaint submitted by the customer within a maximum period of 15 days, provided that the customer is informed of the results of the investigation within 5 working days.

6. Submitting a written opinion on the subject of the complaint to the client, with the need to support this opinion with appropriate justifications and correct procedures for resolving the complaint.

### **International Department:**

The international Department, which includes remittances, documentary credits and foreign letters of guarantee, is the window through which the customer overlooks the outside world, it is the link between the customer and foreign banks and it supports the flow of trade and investments between the countries of the world by feeding our accounts with foreign banks and managing the accounts they have open to finance foreign trade operations from import and export by providing advanced banking services and supporting the necessary financing for economic dealers, whether exporters or importers, and meeting the needs of customers by issuing documentary credits and external transfers, as they are done through discreet correspondent banks, which enhances the confidence of the exporter and importer in implementing these operations and through the global and impenetrable SWIFT system. By strengthening these credits with correspondent banks, regulating dealing in foreign currencies, managing credit operations by strengthening foreign banks, carrying out commercial transfer work, and preparing data on foreign transactions exchanged with correspondents.

As part of the implementation of the bank's vision to support customers and develop banking products according to the plan, many issued and reinforced irrevocable documentary credits and all related activities and external remittances in 2021 have been implemented and indirect credit and support to customers as well as advice to customers in import and export operations to ensure the safety of the process Business from the first steps to the last step.

This plan aims to provide advanced commercial services in proportion to the economic situation and provide all available opportunities for trade financing and management of commercial operations with high efficiency and speed in providing these reliable services at competitive prices by providing indirect facilities through the issuance of documentary credits and the completion of those transactions in accordance with the international terms and norms, as well as sending and receiving foreign transfers to all countries of the world to support commercial transactions and meet customer requirements and provide banking solutions with flexibility and effectiveness to make these services easier and faster locally and globally through a specialized team of qualified employees in this field as well as developing cadres in order to keep pace with development through training programs In order to develop banking skills to provide the best services and reach the highest levels of dealing and completion of work.

### **Credit Department**

Among the tasks and duties of the department is the credit operations of all kinds from providing permanent credit facilities to customers in approving and issuing letters of guarantee, facilities, medium and short-term Iraqi dinars Murabaha and Murabaha (in foreign currency for private/ mixed sectors) as well as Murabaha for cars and small projects (marketing and financing) on a portfolio of Central Bank of Iraq/ the National Fund for Small and Medium Enterprises Finance, and its responsibility is to evaluate credit studies through financial and credit analysis of clients, identify risks and make appropriate recommendations in isolation from the effects of personal dealing with these clients, based on a balanced assessment of credit risks, and judge clients' con-

ditions through their financial and non-financial evidence and supporting documents to their status, in addition to categorizing clients according to risks through the approved Credit Rating System, in addition to its advisory role in strengthening and consolidating credit thinking. The credit policy of the bank, the instructions of the Central Bank of Iraq, the controls of Shari'ah board, verification of the completion of all documents and conditions contained in the decisions of the credit committee, and documentation of guarantees, if any, for all customers through field supervision by the department's employees on the bank's branches (in charge of the credit process) to achieve a high quality credit portfolio with marketing the bank's products and finding new credit products to serve the requirements of the labor market and to achieve the implementation of the bank's credit policy.

## Credit Facilities and Banking Services

### Direct Credit Facilities (Murabaha)

Net direct credit facilities amounted to (14,156,298,130) million dinars at the end of 2020, while it amounted (35,919,596,096) million dinars in 2021, an increase of (140%) due to the increase in Murabaha grants to the corporate sector in addition to the focus on the granting of Murabaha within the initiative of the Central Bank of Iraq for Small and Medium Enterprises and the focus on the granting of Murabaha within the Bank's portfolio to the Counter-Terrorism Agency.

### Indirect Credit Facilities

The strategy adopted by AL-Mashriq Al-Arabi Islamic Bank for Investment in



developing its tools and the various and distinctive services it provides to customers has given it a competitive advantage, whether in terms of the quality of Islamic products or sophisticated experiences that meet the needs of customers and within its endeavors in the field of developing its business in issuing letters of guarantee of all kinds.

The Bank focused on granting letters of guarantee and credits within the controls and instructions issued in this regard. The balance of the pledge credit/ letters of guarantee /documentary credit amounted to (33,791,081,388) million dinars at the end of 2021, while it amounted (38.132.409) at the end of 2020, as shown in the table below:

| Credit Type        | Year 2021      | Year 2020      |
|--------------------|----------------|----------------|
| Letters of Credit  | 21,991,605,388 | 21,247,015,828 |
| Documentary Credit | 11,799,476,000 | 16,885,394,000 |
| Total              | 33,791,081,388 | 22,935,555,228 |

### Central Bank of Iraq

The Central Bank of Iraq's initiative to finance small and medium projects, as it granted AL-Mashriq Al-Arabi Islamic Bank for Investment several loans amounting to (7,240,701,000) seven billion, two hundred and forty million, seven hundred and one thousand Iraqi dinars as part of the Central Bank's plan to grant Islamic and commercial banks loans to finance small and medium projects with loans with few returns and administrative margins, knowing that the net balance of loans granted after paying the due installments (-/7,411,595,000) seven billion, four hundred and eleven million, five hundred and ninety-five million dinars.

## Summary of Application and Credit Losses Impact According to Standard No. (IFRS 9) on the Credits Granted

The Bank applied Standard No. (9) and calculated the expected credit losses that reflect the credit risk of the financial instruments and according to the Central Bank of Iraq Circular No. 466/6/9 dated 26 December 2018 regarding the instructions for applying the International Financial Reporting Standard No. (9). The impact of applying the standard on the credit granted as at 31.12.2021 was (1,813,491,978) one billion eight hundred thirteenth million, four hundred ninety one and nine hundred seventy eight dinars.

### Information Technology Department

The implementation of the last visa of the comprehensive banking system has been completed, which includes (FAS, Raising the Salaries of Citizens at the Bank System, and Human and Administrative Resources System) In addition, the monthly and annual closure has been completed for 2018, 2019 and 2020 , and the completion of the project of equipping Ramadi branch with all technology and systems and providing banking and electronic services, the completion of the project of equipping Karbala branch with all technology and systems and providing banking and electronic services, the transfer of the alternative site from Asia Bank to Karbala branch and the start of activation according to the controls of Central Bank of Iraq, the completion of the installation of a new server ( for the comprehensive banking system) as a backup in the site of the public administration, solving all employee problems related to all banking systems and providing continuous support, the preparation and installation of ATMs and their distribution within the plan costed by the senior management, the installation of FXT + Eikon System of Refinitiv Company in foreign exchange trading,

the activation of the Call Center for evening shift, solving all problems or inquiries directly and equipping new systems and technologies.

## Western Union Service Project

### **The project was started after receiving the code number of the fifth branch on 15.09.2021**

The policies and operations of the service were developed, the structure of the Western Union Department was developed, the tasks were distributed according to the requirements of the service, the service forms were designed, a training curriculum was developed for the department employees, the service staff was developed, the schedules of the Western Union Operations Department were arranged, and the accounting mechanism for Western Union transfers was developed. The mechanism was sent to the financial department for the purpose of opening the accounting profiles of the service. The documents and details of the bank and its branches were sent after the resignation of the former authorized manager. The information of the responsible person in Western Union and the definition of secrets on his behalf were prepared, the confidentiality and non-disclosure agreement was signed and sent to the company. The questionnaires were also completed and signed by the management and sent to open KYA Bank at Western Union. The approval of Western Union's Business Administration and Development Division, the approval of Lithuania's Anti-Money Laundering International Team and the approval of the US Global Compliance Team were obtained. We have audited and reviewed with the Bank's Compliance Department and prepared for the Western Union's Compliance Interview. The Regional Compliance Approval was obtained after completing the Compliance Interview by Western Union with the Director of Anti-Money Laundering and the Director of Compliance at the Bank. The draft agreement was received and

the Central Bank's approval on the possibility of contracting with Western Union was obtained. We recently sent the Central Bank's approval to Western Union awaiting receipt of company signature agreement.

### And other things:

1. During the year 2021, the amounts shown below were disbursed as follows:

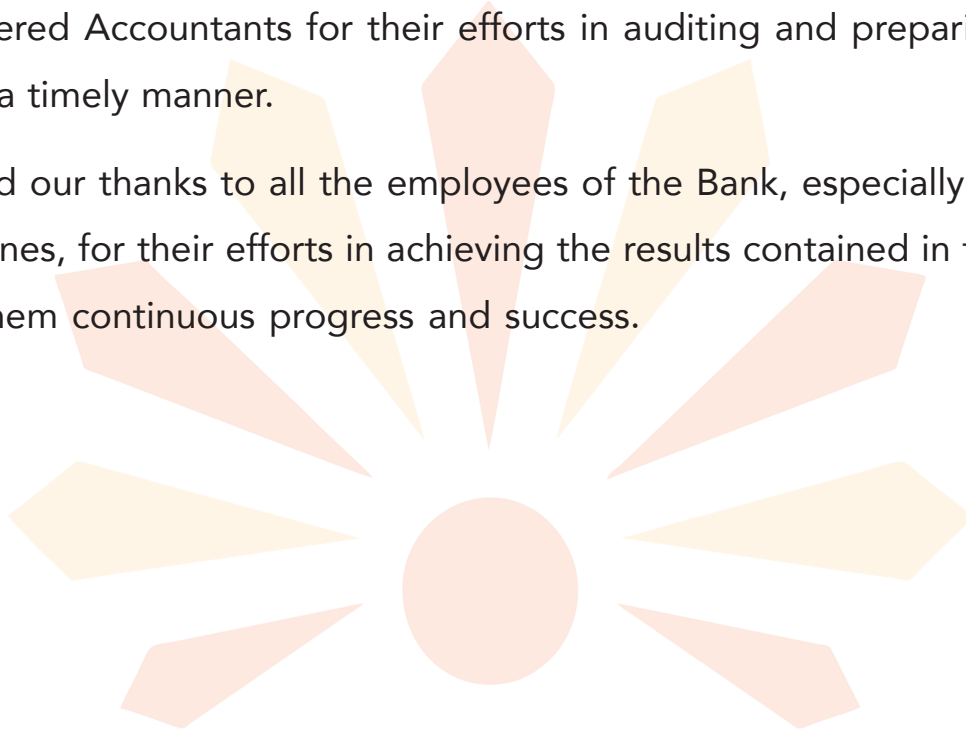
| Account Name               | Amount (thousand dinars) |
|----------------------------|--------------------------|
| Advertising                | 395,792                  |
| Travel and Delegation      | 120,471                  |
| Hospitality                | 10,289                   |
| Donations to third parties | ----                     |
| Total                      | 526,552                  |

## Conclusion

The Board of Directors of the Bank extends its thanks and appreciation to each person who contributed to achieving the results contained in this report.

In particular, we extend our thanks and appreciation to all who contributed in supporting Bank's progress with regard to various fields, among which are the Central Bank of Iraq and Registration of Companies Directorate. We also thank the Chartered Accountants for their efforts in auditing and preparing the accounts in a timely manner.

We extend our thanks to all the employees of the Bank, especially the distinguished ones, for their efforts in achieving the results contained in this report, wishing them continuous progress and success.



# **Shari'ah Supervisory Board's Report for 2021 To AL-Mashriq Al-Arabi Islamic Bank for Investment**





**In the name of Allah, the Most Gracious, the Most Merciful**  
**Shari'ah Supervisory Board's Report for 2021**  
**To AL-Mashriq Al-Arabi Islamic Bank for Investment**

Praise be to the Lord of the Worlds, and prayers and peace be upon our Lord Muhammad and upon his pure relatives

Having said that,

To: Respected Messrs, Shareholders of AL-Mashriq Al-Arabi Islamic Bank for Investment

Dear Sirs,

According to the Letter of Assignment issued by the General Board of the Bank concerning assigning Shari'ah Supervisory Board for AL-Mashriq Al-Arabi Islamic Bank for Investment, we present the following report:

We studied and reviewed the principles used and contracts related to the transactions and applications submitted to us by AL-Mashriq Al-Arabi Islamic Bank for Investment for the previous period. We have carried out the due monitoring to express an opinion on whether the Bank has complied with the provisions and principles of Islamic Shari'ah in its banking transactions and services. Our responsibility is to give an independent opinion on our monitoring of operations, and to prepare a report for you.

We have conducted our monitoring, which included checking the documentation and the procedures followed by the bank, based on the testing of each type

of transaction.

We have planned and carried out our monitoring in order to obtain all the information and explanations that we considered necessary to provide us with sufficient evidence to give reasonable assurance that the bank did not violate the provisions and principles of Shari'ah law.

In our opinion:

The contracts, operations and transactions concluded by the Bank during the year ended on 2021, which we have audited, were in accordance with the provisions and principles of the Islamic Shari'ah.

**We ask God's support and guidance  
Peace and blessings be with you.**

Naeel Mohammed Al-Mosawi  
Member of Legal Committee

Qasim Kazem Jalab

Member of Legal Committee

Dr. Jasim Mizaal Lafta  
Head of Legal Committee

Salam Abdulkareem Smaiem

Member of Legal Committee



مصرف المشرق العربي  
Mashreq al-Arabi Bank

## Respected Shareholders of Al-Mashriq Al-Arabi Islamic Bank for Investment

- financial position statement 2021 •
- income list •
- List of changes in equity •
- Statement of Cash Flows •

**Nihad Sheya Obaid Al-Saeedi**

**Chartered Accountant and Auditor**

**Member of Iraqi Chartered Accountant**

**Mahmood Rasheed Ibrahim Al-Fahad**

**Chartered Accountant and Auditor**

**Member of Iraqi Chartered Accountants**

No.: 17/233/32/2022

Date: 22.03.2022

**To: Messrs, Respected Shareholders of Al-Mashriq Al-Arabi Islamic  
Bank for Investment**

**Re.: Auditor's Report**

Greetings,

We have checked the financial position statement of Al-Mashriq Al-Arabi Islamic Bank for Investment (private shareholding company) as on 31 December 2021; the income statement; other comprehensive income statement; changes in equity statement; and cash flows statement pertaining for the financial year then ending; and the explanations on the statements (from 1 to 30) and the annual report of the Bank's administration prepared in accordance with the Companies Law No. 21 for the year 1997, as amended, and the regulations and instructions issued thereof, Banks Law No. 94 for the year 2004, Islamic Banks Law No. 43 for the year 2015, and in accordance with approved international and national reporting standards.

We have obtained the information and explanations necessary, in our opinion, to perform our task, which we have completed in accordance with applicable legislations and standard auditing procedures, including the needed tests for the Bank's activities falling within our competence.

**Bank's Administration Responsibility:**

The administration is responsible for preparing financial statements and disclosing them according to the requirements of the law, international financial re-



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porting standards, and Islamic financial accounting standards, in addition to its responsibility in preparing and implementing an internal control system, especially with regard to preparing and disclosing financial statements in a fair and free from material errors that may be the result of errors and fraud. This responsibility also includes selecting and applying appropriate accounting policies and using reasonable accounting estimates.

### **Auditor's Responsibility**

Our responsibility is to express a neutral technical opinion on the financial statements submitted to us in accordance with local and international audit evidence and standards. These standards require us to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from any material misstatement. The audit includes an examination based on testing the data and documents supporting the amounts shown in the financial statements for the financial year ending on 31 December 2021 and disclosing them. It also includes an evaluation of the accounting principles adopted by the Administration. According to our belief, its audit provides a reasonable basis for the opinion expressed and we have the following clarifications and notes: -

1- Application of International Accounting Standards and Accounting and Auditing Commission Standards:

AL-Mashriq Al-Arabi Islamic Bank for Investment has implemented the International Accounting Standards for the third year

As for Islamic financing instruments, the related controls were applied, guided by the Accounting and Auditing Commission standards for Islamic Institutions mentioned in Central Bank of Iraq Letter No. 9/3/289 dated 01.08.2018, as follows:



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**Chartered Accountant and Auditor**

**Member of Iraqi Chartered Accountants**

## **International Financial Reporting Standard (IFRS) No. 9**

The Bank has applied the International Financial Reporting Standard No. (9) and the required allocations have been calculated to meet the changes in expected credit losses (for Islamic finance and cash) guided by the directives of the Central Bank of Iraq in its letter No. 3/6/466 dated 26.12.2018 (Guidance Instructions for Preparing the Financial Statements of Banks). As for the expected credit losses resulting from the pledge credit, the exposure at default (EAD) was calculated using credit transfer transactions (letters of guarantee of various kinds 50%) in light of the controls related to the capital adequacy standard according to the requirements of Basel (Second- off balance sheet items) and as stated in Central Bank of Iraq Letter mentioned above (Determining the method of calculating expected credit losses – Paragraph 7). The Bank has adopted the loss given default (LGD) for the first stage at a rate of 45% and 100% for the second and third stages without taking into account the risk reductions (guarantees provided). Most of the customer guarantees within the first stage were a check and a bill of exchange, and these guarantees are weak, which must be 100% of the loss given default (LGD) and not 45% as assumed in the methodology and applied in the calculation process. The results of the application were in accordance with the requirements of Financial Reporting Standard No. (9), and the required amounts were reversed allocated to meet credit losses as follows:

- Expected credit losses on Islamic cash financing, an amount of (488,533) thousand dinars has been transferred from the miscellaneous allocations account.

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- Expected credit losses on pledge credit, an amount of (179,688) thousand dinars has been transferred from the miscellaneous allocations account.
- Expected credit losses on cash at foreign banks, an amount of (70,539) thousand dinars has been transferred from the miscellaneous allocations account.

**2- Cash:**

A-The foreign currency cash asset as at 31 December 2021 was valued at the following exchange rates:

| No. | F.C.         | Exchange Rate             |
|-----|--------------|---------------------------|
| 1   | USD          | 1,460 dinars per dollar   |
| 2   | Euro         | 1,792.296 dinars per euro |
| 3   | Japanese Yen | 14,176 dinars per yen     |
| 4   | Krona        | 178,318 dinars per Krona  |

B- Bank relied on swift issued by foreign banks for reconciliation purposes on 31.12.2021.

**3- Islamic Finance:**

A- Net balance of Islamic finances on 31 December 2021 amounted to (34,692,519) thousand dinars compared to (13,417,755) thousand dinars on 31 December 2020 and that the balance represents Murabaha granted to the individuals and Murabaha of Central Bank initiative (for small and medium enterprises ) and loans.

A- The guarantees provided by the customers are a personal guarantee in ad-

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**Member of Iraqi Chartered Accountants**

dition to a bill of exchange and real estate mortgage.

B- The ratio of Islamic finance to the size of deposits reached (1.338%) after excluding the financing of the Central Bank.

C- The provision for expected credit losses amounted to (1,227,077) thousand dinars on 31.12.2021, as the said provision was calculated according to the directives of Central Bank of Iraq contained in its Letter No. 3/6/466 dated 26.12.2018 in accordance with the International Financial Reporting Standard No. (9) (IFRS) and it increases its calculation according to Central Bank of Iraq Instructions No. (4) for 2010, amounting to (1,123,272) thousand dinars.

D- The total Islamic Finance granted to the largest (20) customers amounted to (21,251,710) thousand dinars, representing (59%) of the volume of Islamic finance granted amounting to (35,919,596) thousand dinars at the financial statements date.

#### **4- Pledge Credit:**

A- Net pledge credit balance as at 31 December 2021 amounted to (25,793,784) thousand dinars, compared to (28,354,953) thousand dinars as at 31 December 2020, a decrease of (2,561,169) thousand dinars, an increase of (9%).

B- A provision for expected credit losses has been calculated for the issued pledge credit in the amount of (515,875) thousand dinars.

C- The ratio of issued pledge credit to share capital and reserves was 13%.

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D- The pledge credit balance issued represents the following:

| Credit Type          | Balance 31 December 2021 |
|----------------------|--------------------------|
|                      | (thousand dinars)        |
| Letters of credit    | 11,799,476               |
| Letters of guarantee | 21,991,605               |
| Total                | 33,791,081               |

E- Guarantees: The guarantees obtained for the issuance of letters of guarantee are cash securities, a check and a bill of exchange, some of which are mortgages of real estate.

## 5- Financial investments:

The balance of investments in subsidiaries amounted to (20,000,000) as at 31 December 2021 thousand dinars, which represents the entire capital of Nakheel Al-Mashriq and Bawabat Al-Mashriq Companies, as detailed below :

| Name of the company invested in its shares | Capital of the company (thousand dinars) | Contribution Amount (thousand dinars) |
|--|--|---------------------------------------|
| Nakheel Al-Mashriq Co.                     | 10,000,000                               | 10,000,000                            |
| Bawabat Al-Mashriq                         | 10,000,000                               | 10,000,000                            |
| Total                                      | /  | 20,000,000                            |

B- The bank also contributed to the establishment of the Iraqi Deposit Guarantee Company with an amount of (750,000) thousand dinars, and contributed to the National Takaful Company with an amount of (550,000) thousand dinars,

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**Member of Iraqi Chartered Accountants**

and purchased the shares of Lebanon Bank and Al-Mahjar with an amount of (789,473) thousand dinars.

#### 6. Other Assets:

The balance of other assets amounted to (16,661,480) thousand dinars at 31.12.2021, compared to (15,735,375) thousand dinars at the end of 2020 and includes:

A- The non-current debit balance represents an amount of (8,090,027) thousand dinars paid to four companies for general trading for contracts concluded with them to import goods to the bank.

B- Within the balance of other assets -

1. An amount of (6,440,208) thousand dinars of external credits insurance.
2. An amount of (146,000) thousand dinars of insurance with Swig Master Company.
3. An amount of (210) thousand dinars of insurance with Asia Company.

#### **7- Customers' Deposits, Savings Deposits and Cash Insurance:**

The balance of the customer deposits account, savings deposits and cash insurance at the date of the financial statements amounted to (29,322,877) thousand dinars compared to (28,422,562) thousand dinars last year, with an increase of (900,315) thousand dinars and an increase of (3%). Details of the said accounts are as follows:

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A- The balance of current accounts payable as at 31 December 2021 amounted to (21,325,578) thousand dinars compared to (17,791,800) thousand dinars as at 31 December 2020, an increase of (3,533,778) and an increase of (17%).

B- The balance of letters of guarantee insurance and documentary credits amounted to (7,997,299) thousand dinars as at 31.12.2021, compared to an amount of (10,310,762) thousand dinars at 2020, a decrease of (2,313,463), a decrease of 29%.

## **8. Income Statement:**

A- The bank made a profit of (595,736) thousand dinars before the tax for the current year, compared to a profit of (2,140,643) thousand dinars for the previous year.

B- The balance of income from Murabaha and Islamic finance amounted to (1,597,628) thousand dinars at the date of the financial statements compared to (385,436) thousand dinars on 31 December 2020, an increase of (414%).

C- The balance of bank transaction commission income amounted to (2,743,081) thousand dinars at the date of the financial statements compared to (1,647,081) thousand dinars at 31 December 2020, an increase of (60%) and below some of those revenues, for example:



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| Details                        | Amount 2021<br>thousand dinars | Amount 2020<br>thousand dinars |
|--------------------------------|--------------------------------|--------------------------------|
| Letter of Guarantee Commission | 1,049,939                      | 545,234                        |
| Credit Letters Commission      | 1,008,840                      | 635,532                        |
| Miscellaneous bank commissions | 317,272                        | 154,715                        |
| Other bank commissions         | 233,570                        | 295,977                        |
| <b>Total</b>                   | <b>2,609,621</b>               | <b>1,631,458</b>               |

A- The income of the sale and purchase of foreign currencies as at 31 December 2021 amounted to (386,092) thousand dinars, while in the previous year amounted to (3,322,877) thousand dinars, and this revenue constitutes (8%) of the total revenues of the bank for the current year.

B- The salaries, wages and benefits of employees at the date of the financial statements amounted to (1,299,622) thousand dinars, compared to (1,008,069) thousand dinars on 31 December 2020, an increase of (29%).

C- Operating expenses at the date of the financial statements amounted to (4,131,065) thousand dinars, compared to (3,214,751) thousand dinars on 31 December 2020, an increase of (29%).

9- Revenue of the Currency Auction Window:

A- Bank's balance of the purchases from sale of foreign currency window for

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the period from 202.01.2021 to 31.12.2021 amounted to (108,373,664) USD, distributed as follows:

| Details                          | Amount (USD)       |
|----------------------------------|--------------------|
| Remittance purchases             | 2,544,644          |
| Credits Purchase                 | 13,709,020         |
| Purchases For Exchange Companies | 87,050,000         |
| Bank Auction Cash Purchases      | 5,070,000          |
| <b>Total</b>                     | <b>108,373,664</b> |

By virtue of our Letter No. 66/A /2021 dated 06.04.2021, we requested the Central Bank of Iraq, Issuance and Treasury Department, to provide us with the bank's purchases from the window of buying and selling foreign currencies. By its Letter No. 6/2/1032 dated 14.04.2021, the Central Bank of Iraq replied that the amount of purchases from the window of buying and selling foreign currency for the year 2020 amounted to (10,830,000) dollars .

B- The method of providing the last beneficiary's support for the outgoing transfers has been adopted.

## **11. Legal Lawsuits:**

Bank's Legal Department confirmed to us that there is one lawsuit filed by the bank against others in the amount of (445,700) thousand dinars and it has not yet been resolved as of the date of this report and that there is not any lawsuit

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**Member of Iraqi Chartered Accountants**

filed by others against the bank.

#### 12. Capital Adequacy Ratio:

The capital adequacy ratio was (267.7%) as at 31 December 2021, as it is higher than the minimum required by the Central Bank of Iraq, which is (12%).

#### 13. Liquidity Ratio:

The liquidity ratio was (444%) at the date of the financial statements.

#### 14. Compliance Monitor:

The audited reports of the year's compliance monitor were reviewed and prepared in accordance with Central Bank of Iraq instructions. They included:

- Indicators about Shari'ah Supervisory Board.
- Indicators on Risk Management.
- Indicators on Internal Control Department.
- Indicators on the AML/CFT Reporting Department.
- Indicators of Standard Ratios such as Capital Adequacy Ratio, Liquidity Ratio, etc.

#### 15. Internal Control and Shar'i Audit:

A- Internal Control System included the necessary procedures commensurate with the size and nature of the bank's activity.

B- Internal Control and Shar'i Audit reports were reviewed and were comprehensive, detailed and specific to the observations received through the audit process.

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C- The department's activity included auditing the following works:

- Audit the work of the Credit Department the files of Islamic Finance.
- Auditing quarterly and monthly budgets.
- Audit Risk Department reports.
- Audit the liquidity statement and the legal reserve at Central Bank of Iraq.
- Audit the daily activities of the main branch and Basrah branch
- Make an inventory of the main branch and Basrah branch.

## **16. Money Laundering and Terrorist Financing Reporting Department:**

A- Bank has taken measures to prevent money laundering and terrorist financing in accordance with the provisions of Money Laundering and Terrorist Financing Law No. 39 of 2015 and the regulations and instructions issued by Central Bank of Iraq.

B- We have reviewed the above-mentioned department reports sent to the Central Bank of Iraq, which were prepared in accordance with the law and the instructions issued by Central Bank of Iraq. The reports included the following.

- Letters and circulars regarding sanctions, blacklists, suspension of transactions and freezing of accounts.
- Letters and circulars requiring compliance within ML/FT received through Central Bank of Iraq.
- Audit and inspection by the Regulatory Authority related to AML/CFT procedures.
- The electronic system to combat money laundering and terrorism financing.

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**Member of Iraqi Chartered Accountants**

C- We were briefed on the policies and procedures prepared by the Bank's management for the said department.

**According to what is recorded in the bank's records and the explanations given to us:**

The computerized accounting system used by the bank was in compliance with the bookkeeping system requirements. It included, in our estimation, the recording of all bank's assets, liabilities, expenses and revenues and that the internal control system included the necessary procedures that ensure the validity and accuracy of these data to a degree commensurate with the size of the bank's activity.

The inventory of the bank's cash assets was carried out properly and under our supervision, while the inventory of fixed assets was carried out by a special committee and minutes were organized and we were provided with copies of them and they were identical to the ancillary records, and the evaluation was made in accordance with the principles and assets as the historical cost was adopted.

The financial statements have been organized in accordance with the International Accounting Standards and in accordance with the special controls mentioned in Central Bank of Iraq Letter No. (9/3/289) dated 01.08.2018 (Standards of the Accounting and Auditing Commission for Islamic Institutions) for Islamic finance and in accordance with the applicable legislation and are fully in accordance with the records and are organized in accordance with both the Compa-

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ies Law No. (21) of 1997, the Banking Law No. (94) of 2004, the Islamic Banks Law No. (43) of 2015 and the regulations and instructions in force.

The annual report of the Bank's management is prepared in accordance with the provisions of Companies Law No. (21) of 1997, as amended, and does not include anything violates the provisions of the laws and legislation in force.

### **The Opinion:**

Taking into consideration the above observations and clarifications, and based on the information and clarifications we obtained, we would like to state that the financial statements and the Administration's report annexed thereto comply with the records and are made in accordance with legal requirements and that, to the extent they contain performance indicators, clearly and fairly reflect the financial position of the bank as on 31 December 2021 and the results of its activity and cash flows for the financial year ended then.

With respect.

Nihad Sheya Obaid Al-Saeedi

Chartered Accountant and Auditor

Member of Iraqi Chartered Accountants

Mahmood Rasheed Ibrahim Al-Fahad

Chartered Accountant and Auditor

Member of Iraqi Chartered Accountants

### **We ask God's support and guidance**

Sadiq Kadhim Al-Mashat

Head of Board of Directors





**AL-Mashriq Al-Arabi Islamic Bank  
for Investment  
Financial Position Statement**



## AL-Mashriq Al-Arabi Islamic Bank for Investment

## Financial Position Statement

As on 31 December 2021

## Statement (A)

|  |      | 2021               | 2020               |
|--|------|--------------------|--------------------|
|  | Note | Thousand IQD       | Thousand IQD       |
| <b>Assets</b>  |      |                    |                    |
| Cash and Balances at the central Bank  | 4    | 147,257,594        | 119,251,445        |
| Balances and Deposits at other banks and financial institutions              | 5    | 7,934,265          | 600,987            |
| Golden coins   |      | 4,985,208          | 4,985,208          |
| Shares Investments in companies  | 6    | 22,089,473         | 20,750,000         |
| Islamic Financing (net)  | 7    | 34,692,518         | 13,417,755         |
| Property and equipment (in book value)                                       | 8    | 841,027            | 685,431            |
| Intangible assets  | 9    | 574,814            | 756,792            |
| Projects under construction  | 10   | 19,873,859         | 14,504,897         |
| Other assets   | 11   | 16,661,480         | 15,735,375         |
| <b>Total Assets</b>  |      | <b>254,910,238</b> | <b>190,687,890</b> |
| <b>Liabilities and Equity</b>  |      |                    |                    |
| Clients' Deposits  | 12-A | 21,325,578         | 18,111,800         |
| Current-nature Accounts  | 12-B | 3,895,209          | 413,688            |
| Cash insurances  | 13   | 7,997,299          | 10,310,762         |
| Various allocations  | 14   | 2,579,285          | 3,757,541          |
| Income tax allocation  | 15   | 416,468            | 303,892            |
| Central Bank of Iraq Loans (Initiation)                                      | 16   | 7,240,701          | 3,942,000          |
| Other Liabilities  | 17   | 12,090,238         | 5,025,296          |
| <b>Total Liabilities</b>   |      | <b>55,544,778</b>  | <b>41,864,979</b>  |
| <b>Equity</b>  |      |                    |                    |
| Paid Capital   | C    | 200,000,000        | 150,000,000        |
| Mandatory Reserve  | C    | 118,965            | 91,838             |
| Turnover Interests   | C    | 2,260,335          | 1,744,913          |
| Turnover Lost  | C    | (3,013,840)        | (3,013,840)        |
| <b>Net Equity</b>  |      | <b>199,365,460</b> | <b>148,822,911</b> |
| <b>Total Liabilities and Equity</b>  |      | <b>254,910,238</b> | <b>190,687,890</b> |
| Return on obligations under the bank's custody (Accounts outside the Budget) | 29   | 25,793,784         | 28,354,953         |

Financial Manager  
Saja Ghazi RasheedManaging Director  
Ali Dhiyaa Al-HusseiniHead of Board of Directors  
Sadiq Kadhim Al-Mashat

Subject to our report no. 2022/32/233/17 dated 22.03.2022.

Nihad Sheya Obaid Al-Saeedi  
Chartered Accountant and Auditor  
Member of Iraqi Chartered AccountantsMahmood Rasheed Ibrahim Al-Fahad  
Chartered Accountant and Auditor  
Member of Iraqi Chartered Accountants

## Comprehensive Income Statement

As on 31 December 2021

## Statement (B)

|  |              | 2021             | 2020             |
|--|--------------|------------------|------------------|
|  | Note         | Thousand IQD     | Thousand IQD     |
| <b>Operation Revenues</b>                              |              |                  |                  |
| <b>Islamic Banking Revenues</b>                        | 20           | 1,597,628        | 385,436          |
| <b>Fees and commissions revenues, Net</b>              | 21           | 2,743,081        | 1,647,081        |
| <b>Revenues of buying and selling foreign Exchange</b> | 22/a         | -                | -                |
| <b>foreign Exchange Auction Revenue</b>                | 22/b         | 383,919          | 3,296,540        |
| <b>Other Revenues</b>                                  | 23           | 2,173            | 26,337           |
| <b>Total Operation Revenues</b>                        |              | <b>4,726,801</b> | <b>5,355,394</b> |
| <b>Operation Expenses</b>                              |              |                  |                  |
| <b>Employees' Expenses</b>                             | 24           | 1,299,622        | 1,008,069        |
| <b>Cash Credit Impairment Allowance</b>                | 2,7          | -                | -                |
| <b>Banking Operations Expenses</b>                     | 25           | 140,867          | 680,923          |
| <b>General and Administrative Expenses</b>             | 26           | 1,811,083        | 923,096          |
| <b>Deprecations and Amortizations</b>                  | 27           | 340,031          | 108,367          |
| <b>Transfer Expenses</b>                               | 28           | 480,073          | 494,296          |
| <b>Total Operation Expenses</b>                        |              | <b>4,071,676</b> | <b>3,214,751</b> |
| <b>Profit (Loss) of the year before tax</b>            |              | 655,125          | 2,140,643        |
| <b>Income Tax</b>                                      | 2,15         | (112,576)        | (303,892)        |
| <b>Profit (Loss) of the year after tax</b>             |              | <b>542,549</b>   | <b>1,836,751</b> |
| <b>Comprehensive Income Items of the year</b>          |              | -                | -                |
| <b>Total Comprehensive Income of the year</b>          | Statement, C | <b>542,549</b>   | <b>1,836,751</b> |

Financial Manager  
Saja Ghazi RasheedManaging Director  
Ali Dhiyaa Al-HusseiniHead of Board of Directors  
Sadiq Kadhim Al-Mashat

Attached notes from 1 to 30 consist an integral part of the financial statements.

**Changes in Equity Statement**  
**For the year ending on 31.12.2021**

|   | Paid Capital |              | Mandatory Reserve | Other Reserves | Turnover Profits | Turnover Loss | Total        |
|---|--------------|--------------|-------------------|----------------|------------------|---------------|--------------|
|   | Thousand IQD | Thousand IQD | Thousand IQD      | Thousand IQD   | Thousand IQD     | Thousand IQD  | Thousand IQD |
| <b>2021</b>                             |              |              |                   |                |                  |               |              |
| Balance as on 1 January 2021            | 150,000,000  | 150,000,000  | 91,838            | -              | 1,744,913        | (3,013,840)   | 148,822,911  |
| Increase in Capital                     | 50,000,000   | 50,000,000   | -                 | -              | -                | -             | 50,000,000   |
| Total Comprehensive Income for the year | -            | -            | 27,127            | -              | 515,422          | -             | 542,549      |
| Balance as on 31 December 2021          | 200,000,000  | 200,000,000  | 118,965           | -              | 2,260,335        | (3,013,840)   | 199,365,460  |

|   | Paid Capital | Mandatory Reserve | Other Reserves | Turnover Profits | Turnover Loss | Total        |
|---|--------------|-------------------|----------------|------------------|---------------|--------------|
|   | Thousand IQD | Thousand IQD      | Thousand IQD   | Thousand IQD     | Thousand IQD  | Thousand IQD |
| 2020                                    |              |                   |                |                  |               |              |
| Balance as on 1 January 2020            | 100,000,000  | -                 | -              | -                | (3,013,840)   | 96,986,160   |
| Increase in Capital                     | 50,000,000   | -                 | -              | -                | -             | 50,000,000   |
| Total Comprehensive Income for the year | -            | 91,838            | -              | 1,744,913        | -             | 1,836,751    |
| Balance as on 31 December 2020          | 150,000,000  | 91,838            | -              | 1,744,913        | (3,013,840)   | 148,822,911  |



## Cash Flows Statement

For the year ending on 31.12.2021

|  | Note         | 2021<br>Thousand<br>IQD | 2020<br>Thousand IQD |
|--|--------------|-------------------------|----------------------|
| <b>Operating Activities</b>  |              |                         |                      |
| (Loss) Profit of the year before tax   | Statement, B | 655,125                 | 2,140,643            |
| <b>Adjustments for cashless items</b>  |              |                         |                      |
| Depreciations and amortizations  | 26           | 340,031                 | 108,367              |
| Various Provisions   | 14           | (1,178,256)             | 3,349,699            |
| Income Tax allocation/ Direct deduction  | 14           | 000                     | 55,000               |
| Cash Flows used in Operating Activities before change in Assets and Operating Liabilities: |              | (183,100)               | 5,653,709            |
| <b>Change in Assets and Liabilities</b>  |              |                         |                      |
| Islamic Finances   | 7            | (21,274,763)            | (8,289,828)          |
| Other Assets   | 11           | (926,105)               | (12,615,556)         |
| Clients' Deposits  | 12-A         | 3,213,778               | 13,692,918           |
| Current-nature Accounts  | 12-B         | 3,481,521               | 310,143              |
| Cash insurances  | 13           | (2,313,463)             | 6,174,035            |
| Other Liabilities  | 17           | 7,064,942               | 3,830,629            |
| Net Cash Flows from (used in) Operating Activities before tax                              |              | (10,754,090)            | 3,102,341            |
| Paid Tax   |              | -                       | -                    |
| Net Cash Flows from Operating Activities   |              | (10,937,190)            | 8,756,050            |
| <b>Investing Activities</b>  |              |                         |                      |
| Investments in incorporates  | 6            | (1,339,473)             | (20,000,000)         |
| Purchase of Property and Equipment   | 8            | (354,146)               | (405,311)            |
| Sale of Property and Equipment   | 8            | 8,355                   | -                    |
| Depreciation Allocation Settlements  | 8            | (2,173)                 | -                    |
| Projects under construction  | 10           | (5,368,962)             | (585,708)            |
| Intangible Assets  | 9            | 34,315                  | (700,819)            |
| Net Cash Flows from Investing Activities   |              | (7,022,084)             | (21,691,838)         |
| <b>Financing Activities</b>  |              |                         |                      |
| Proceeds from the capital increase   |              | 50,000,000              | 50,000,000           |
| Central Bank of Iraq Loan  | 16           | 3,298,701               | 2,092,000            |
| Dividends  |              | -                       | -                    |
| Net Cash Flows from Financing Activities   |              | 53,298,701              | 52,092,000           |
| Increase in Cash and Cash Equivalent   |              | 35,339,427              | 39,156,212           |
| Cash and Cash Equivalent at the beginning of the year                                      |              | 124,837,640             | 85,681,428           |
| Cash and Cash Equivalent at the end of the year  | 30           | 160,177,067             | 124,837,640          |

## 1- Legal Status and Main Activities

### Information about the Bank

AL-Mashriq Al-Arabi Islamic Bank for Investment was established with a capital of 100 billion Iraqi dinars under Certificate of Incorporation No. (R.C./01000089976) dated 03.10.2018 and practiced his work as an Islamic bank under the license granted by Central Bank of Iraq in Letter No. 8264/3/9 dated 09.04.2018 and started its business through the main branch according to Central Bank of Iraq Letter No. 27527/3/9 dated 28.11.2018.

Bank's capital was increased from 100 billion dinars to 150 billion dinars by issuing 50 billion shares in accordance with the provisions of Companies Law No. 21 of 1997, and this increase was done on 10.02.2021 as per Companies Registration Department Letter No. 3916.

The bank is allowed to carry out banking business subject to the provisions of Central Bank of Iraq laws and the influential banks, Islamic Banks Law No. (43) of 2015 and the AML/CFT Law No. (39) of 2015, provided that it is subject to the supervision of Central Bank of Iraq. This was mentioned in the Central Bank of Iraq's Letter No. 8264/3/9 dated 9 April 2018.

The Bank carries out all the Islamic banking business practiced by contemporary Islamic banks, taking into consideration the application of the provisions of the tolerant Islamic Shari'ah in all banking fields, including the opening of current accounts and (investment and savings) accounts, the granting of Islamic finance such as Murabaha, participation, speculation and meeting customers' requirements to open documentary credits and external transfers through the sale and purchase of foreign currency window in Central Bank of Iraq.

One of the main objectives of the Bank is to expand Islamic finance operations

by developing and improving banking services and products provided by the Bank and expanding its customer base by opening branches in the governorates of Iraq that meet customers' needs and under the supervision of Central Bank of Iraq in accordance with the Iraqi Banking Law No. 94 of 2004, the Companies Law No. 21 of 1997, the Islamic Banks Law No. 43 of 2015 and the Money Laundering and Anti-Terrorism Law No. 39 of 2015.

## 2. Significant Accounting Policies

### Preparing Financial Statements Basics

Bank's financial statements have been prepared in accordance with International Financial Reporting Standards and interpretations issued by the International Financial Reporting Interpretations Committee of the Islamic Shari'ah Accounting Standards Board and in accordance with the historical cost principle, with the exception of financial assets at fair value through other comprehensive income and financial assets at fair value through the consolidated statement of income, which are shown at fair value at the date of the financial statements. The Iraqi dinar is the currency of presentation of the financial statements, which is the main currency of the bank, and all amounts have been presented in Iraqi dinars.

### Basis of Consolidation the Consolidated Financial Statements

The consolidated financial statements include the financial statements of the Bank as at 31 December 2021, assets, liabilities and activity results (the General Management and the Bank's branches). There are two subsidiaries of the Bank with an acquisition rate of 100%, whose accounts have been consolidated with the Bank's accounts. The Bank's management continued to apply the accounting policies followed in preparing the financial statements in accordance with the Islamic Accounting Standards, which were adopted in the application to the financial statements.

## IFRS, New Interpretations and Amendments issued and not yet effective

- International Accounting Standard No. (1) Financial Statements Presentation - (Amendments)

These adjustments include limited improvements on the following:

- Essentialism
- Classifications and aggregation
- Clarification Structure
- Disclosure of accounting policies
- Presentation of other comprehensive income items resulting from investments that follow the equity method, if any.

These amendments are not expected to affect the financial position or bank's performance and the bank does not expect these amendments to have a material effect on the notes of the bank's financial statements.

### - IAS 16- Property and Equipment:

Long-term tangible assets contribute substantially to assisting the bank in carrying out the main activities, especially those used in the conduct of business. Since the assets provide benefits for more than one period, the cost of these assets is capitalized and their costs are distributed over the useful life, which is called depreciation and the use of the straight-line method. One of the objectives of this standard is to apply it to the following financial statements:

1. Timing of Recognition and Registration.

- 2- Depreciation Expense.
3. Address the decline in its value in the periods following acquisition.

## Significant Accounting Policies

The accounting policies followed in the preparation of these financial statements were based on the Islamic Accounting Standards, except for the application of the new standards and changes effective from 01.01.2021 according to Central Bank of Iraq instructions.

### - International Financial Reporting Standard No. (9) Financial Instruments:

The IASB issued amendments to the financial instruments in IFRS 9 and in application of Central Bank of Iraq instructions to apply the standard to the financial statements as of 01.01.2020.

Islamic banks apply the standard for the part related to expected credit loss. Otherwise, they are committed to applying the requirements of Islamic Accounting Standard No. (25) Investment in Cheques and Shares and Islamic Accounting Standard No. (30) Impairment of Credit Assets and Losses, which replaced Islamic Accounting Standard No. (11) Provisions and Reserves.

A draft was issued for the application of Standard No. (30) by the Accounting and Auditing Commission for Islamic Institutions, where this standard aims to indicate the accounting rules and principles for the impairment of assets and credit losses, including current and expected losses. This standard also presents the classification of financial assets and exposure for credit risks. The standard also shows the most prominent international approaches in the field of the im-

pairment of financial assets according to the principles and provisions of Shariah. Islamic Financial Accounting Standard No. (30), which covers many of the topics in International Standard No. (9) in terms of similarities and differences between them and the extent of their overlap in calculating and applying the expected credit losses approach. One of the most important advantages of applying International Standard No. (9) is the following: -

- Early recognition of credit losses.
- Configure a loss provision for all credit risk.
- Potential fluctuations due to changes in economic conditions for 12 months, which need to be considered in predictions of future economic conditions.
- Appropriateness and alignment of financial reporting with credit risk management systems.

A committee consisting of the directors of the following departments has been formed:

Financial Department, Islamic Finance Department, Risk Management Department, Internal Audit Department and Information Technology Department, and under the supervision of the Bank's Board of Directors for the purpose of ensuring the successful application of International Accounting Standard No. (9) Financial Instruments. The Committee has developed a plan approved by the Board of Directors for the purpose of applying the standard and developing a system for calculating the expected credit loss. The Bank has prepared the methodology for calculating the expected credit losses of the financial instruments according to the following business form:



## - Financial Assets at Amortized Cost:

They are the financial assets that the bank's management aims to maintain, according to its business form, in order to collect contractual cash flows, which are the payments out of the principal debt and the return on the balance of the existing debt. These assets are recognized upon purchase at cost plus acquisition expenses and the premiums are amortized using the effective return method, a credit on or to the account of the return, and deducts any provisions resulting from the decrease in their value leads to the recoverability of the asset or part thereof, and any decrease in their value is recorded in the income statement. The amount of impairment on these assets represents the difference between the values recorded in the records and the status of the expected cash flows discounted at the original interest rate. No assets may be reclassified from this item except in the cases specified in the International Financial Reporting Standard. In the event that any such assets are sold before the due date, the result of the sale shall be recorded in the income statement in a separate item and disclosed in accordance with the requirements of the International Accounting Standards.

## - The substantial increase of the transition between the three stages: -

The stages of calculating the expected credit losses of the customer go through several stages based on the study of the credit efficiency and determining the substantial increase of risk to transit between the stages of the planned business form and according to the following stages:

-Phase 1: Expected credit losses over the next 12 months, part of the expected credit losses over the lifetime associated with the events of the probability of default in payment within the next 12 months (expected cash flows) are proven

according to the time period of not less than 30 days.

-Phase 2: Lifetime ECLs are not impaired, lifetime credit losses are recognized as being not impaired according to the time period of not less than 89 days.

-Phase 3: Lifetime ECLs are impaired , lifetime ECLs are recognized and returns are suspended and recognized on the basis of cash receipts where they are valued as credit impaired and which have a detrimental effect on future cash flows from those financial assets as per the time periods from 90-180 /181-359/ 360 and above .

## Financial Liabilities

A financial obligation is excluded when the obligation associated with the liabilities is discharged, cancelled or expires. When a financial obligation is replaced by another financial obligation of the same funding entity on substantially different terms, or in the case of a material modification in the terms of the present obligation, such a change or modification shall be treated as an exclusion of the original obligation and a realization of a new obligation.

The Bank has applied the calculation of the required allocations in light of the application of the financial reporting standard No. 9 received under Central Bank of Iraq Letter No. 9/6/466 dated 26.12.2018, and the result of the calculation was as follows:

| Provision to be calculated for Islamic finance (Murabaha)/ IQD | Provision to be calculated for Investment in Participations/ IQD | Provision required for pledge the credit IQD | Provision required for Balances at Financial Institutions IQD | Total IQD     |
|--|--|--|---|---------------|
| 1,227,077,320  | /  | 515,875,666                                  | 70,538,992  | 1,813,491,978 |

Quantitative impact was calculated to apply the abovementioned criterion as follows:

|  | Cash Islamic Finance (Murabaha)/ IQD | Investment in Participations/ IQD | Pledge the credit IQD | Balances at Financial Institutions IQD |
|--|--------------------------------------|-----------------------------------|-----------------------|--|
| Provision to be calculated on 31.12.2021                 | 1,227,077,320                        | /                                 | 515,875,666           | 70,538,992                             |
| Less: Provision Balance on 01.01.2021                    | 738,543,354                          | /                                 | 336,187,771           | 11,149,000                             |
| Quantitative impact to apply the criterion on 31.12.2021 | 488,533,966                          | /                                 | 179,687,895           | 59,590,000                             |

The additions required to cover the increase in allocations from foreign currency appraisal profits have been transferred with the full quantitative effect required to be applied on 31.12.2021 as follows:

|  |             |
|--|-------------|
| Change in Islamic Finance/ Murabaha)         | 488,533,966 |
| Change in Investment                         | 000         |
| Change in pledge the credit                  | 179,687,895 |
| Change in Balances at Financial Institutions | 59,389,655  |
| Net Change                                   | 727,611,516 |

As will be mentioned in Notes No. (7) and (14) attached to the financial statements.

### - IAS 27 (Consolidated Financial Statements and Investments in Subsidiaries):

Investment and finance activities are considered the nerve of Islamic banks, as

they contribute to the economic development of the country and in accordance with the provisions and principles of Islamic law. One of the prerequisites for the success of investment activity is the existence of an integrated plan that helps in monitoring, evaluating performance and making rational investment decisions in accordance with a set of criteria, indicators and strategic policies. Based on the bank's tendencies to use its financial resources in a way that guarantees the achievement of returns with low risks and contributes to the revitalization of the country's economic sector towards the establishment of strategic investment projects that achieve a set of goals at a time and then contribute to the capital of Nakheel Al-Mashriq for Trading Company and Bawabat Al-Mashriq for Consulting Company. This contribution is considered a long-term investment. This contribution is subject to International Standard No. (27) Investing in subsidiaries by owning more than 50% of shares and is accounted for in the ownership method. This method is adopted by recording investments at cost upon purchase.

#### **- IAS 38 (Intangible Assets):**

Intangible assets represent one of the elements of the Bank's important resources. These assets are the main source and are characterized by the fact that they do not have a tangible physical presence and are non-financial assets (non-cash assets) whose useful life is more than one period. They can be defined as a non-monetary identifiable asset that does not have a physical presence and is controlled by the Bank as a result of previous events such as internal development or as a result of the acquisition and use of an asset that will yield future economic benefits such as modern electronic systems used as well as the costs of pre-operational training and programs used to operate these systems, which

can be identified as the basis for measuring these assets. These assets are accounted for through extinguishers. Our bank has used this standard to cover establishment and pre-operational expenses as intangible assets and they are extinguished by recognizing expenses and allocating intangible assets.

## Sectors' Information

The business sector is a group of assets and processes that jointly provide products or services subject to risks and returns that differ from those of other business sectors. The geographical sector is associated with the provision of products or services in a specific economic environment that is subject to risks and returns that differ from those of sectors operating in other economic environments.

## Use of Estimates

Preparing consolidated financial statements and applying accounting policies requires the bank's management to make estimates and judgments that affect the amounts of financial assets and liabilities and to disclose potential liabilities. These estimates and judgments also affect revenues, expenses, and provisions, as well as other comprehensive income items. In particular, the Bank's management issues important judgments to estimate the amounts and timing of future cash flows. The mentioned estimates are based on multiple assumptions and factors, with varying degrees of estimation and uncertainty, and that the actual results may differ from the estimates as a result of changes resulting from the conditions and circumstances of those estimates in the future.

Bank's management believes that its estimates within the consolidated financial statements are reasonable and detailed as follows:

- Taxes due The fiscal year shall be charged with its taxes in accordance with the local regulations and laws applied by the financial authority and accounting standards.
- The management periodically re-estimates the useful lives of property and equipment for the purposes of calculating annual depreciations and amortizations based on the general condition of those assets and estimates of expected useful lives in the future. A loss of decrease (if any) will be recorded in the consolidated income statement and according to the instructions of the sectoral entity.
- Management conducts a periodic audit of financial assets which are shown at cost to estimate any impairment and the impairment is taken into account in the income statement for the year.

### **Future Policy for Direct Credit Facilities**

- Credit facilities are shown net after deducting the cash credit risk provision and doubtful debts provision. As for the outstanding returns and commissions, they are reserved with a special provision for those who stop paying.
- A cash credit risk provision is configured if amounts due to the bank prove uncollectible and when there is objective evidence that an event has adversely affected the future cash flows of a direct credit facility and when such a decrease can be estimated, the amount of the decrease is recognized as an expense in the consolidated statement of income.
- Interest and commissions on inactive credit facilities granted to customers shall be suspended in accordance with Central Bank of Iraq instructions.
- Allocated credit facilities shall be written off in the event that the procedures



taken to collect them are ineffective by downloading them from the allocation in accordance with the Companies Law. Any surplus in the allocation shall be transferred to another type of allocations in accordance with the instructions of the last Central Bank.

- The amount of the expected credit loss provision (cash – pledge) upon payment of the obligations by some customers is returned to the account of various allocations in accordance with Central Bank of Iraq instructions.

## Cash and Cash Equivalents

Cash and cash balances that depend on the maturity scale according to the Central Bank of Iraq's Letter No. 9/6/48 dated 04.02.2020 and include: cash, balances at the Central Bank, balances at banks and government, local and foreign banking institutions.

## Accounting Policy Used in Property, Buildings and Equipment

Property and equipment are stated at historical cost after deduction of accumulated depreciation. The cost of property and equipment includes the cost incurred to replace any components of the property and equipment and the financing expenses for long-term construction projects if the conditions for recognition are met. All other expenses are recognized in the income statement when realized. Depreciation is calculated (except for land, as the land does not disappear, but its cost is reduced completely in the event of natural disasters) using the straight-line method according to the expected useful life as follows:

|                                  | Useful life<br>(In Years) |
|----------------------------------|---------------------------|
| Buildings                        | 30-50                     |
| Equipment, Devices and Furniture | 5                         |
| Means of Transportation          | 5                         |
| Electronic Systems               | 5                         |

No item of property and equipment or substantial parts thereof are written off except when disposed of or when there is no expected economic benefit from the use or disposal of the asset, and any gain or loss resulting from the write-off of the asset, which represents the difference between the return on disposal and the net book value of the asset, is recognized in the consolidated Income Statement. The remaining values of assets, useful lives and depreciation methods are reviewed in each fiscal year and adjusted later if necessary

### Foreign Currencies

- Transactions carried out in foreign currencies during the year are recorded at the prevailing exchange rates as at the date of the transactions, except for the exchange rate determined by the Central Bank of Iraq resulting from the currency sale window.
- The balances of financial assets and financial liabilities are transferred at the prices of foreign intermediary currencies as at the date of the financial statements, as issued by the Central Bank of Iraq, which the Bank committed to when preparing the financial statements.
- Non-financial assets and liabilities are translated into foreign currencies and are denominated at fair value at the date their fair value is determined.
- Gains and losses on foreign exchange are recognized in the income statement.
- The translation differences for the items of assets and liabilities denominated in non-monetary foreign currencies (such as shares) are recorded as part of the change in fair value, if any.
- The currency valuation differences during the year on equity are recorded in the income statement.

## Provisions

Provisions are recognized when the Bank has obligations at the date of the statement of financial position arising from past events, and it is probable that the obligation will be settled and its amount can be reliably measured.

## Income Tax

Taxes represent the amounts of taxes due, taxes due are calculated on the basis of taxable profits, and taxable profits differ from the declared profits in the financial statements because declared profits include non-taxable revenues or non-deductible expenses and according to the instructions of the financial authority.

Income tax is calculated according to the tax rates established under the laws, regulations and instructions in force in Iraq, which are 15% for corporate income tax, as shown in Note 18.

## Clearance

Clearance between financial assets and financial liabilities is made and the net amount is shown in the statement of financial position only when the legally binding conditions are met, as well as when it is paid on a clearing basis or when the realization of assets and payment of liabilities are made at the same time.

## Financial Guarantees

The Bank provides financial guarantees in the ordinary course of business. The financial guarantees consist of documentary credits, letters of guarantee and acceptance papers. The financial guarantees are included in the financial statements at fair value among the other liabilities. After the date of listing, the financial guarantees are measured at the initial fair value, minus the accumulated amortization calculated to include the fees in the income statement within the

“net fees and commissions” over the life of the guarantee, and the best estimate of the expected expenses to pay any financial dues that may result from the issuance of the guarantee.

Any credits that may result from the financial guarantees that are included in the income statement under “financing losses”, any financial credits are included in the income statement under “net fees and commissions” when the guarantees are disposed of, cancelled or expired.

## Definitions

The following terms are used in the financial statements and their definitions are defined as follows:

## Participation

It is a contract between the bank and the dealer according to which they contribute to a specific investment project, existing or new, or to the ownership of a specific asset, either continuously or for a limited period during which the bank makes several arrangements with the dealer to gradually sell him parts of his share in the project until it ends with the customer having full ownership of the place of participation (decreasing participation), the profits are shared according to the contract concluded between the two parties and they bear the loss in proportion to their shares in the participation capital.

## Murabaha

It is a contract under which the bank sells to the customer in kind, a commodity or a share owned by him and in his possession (fact or judgment) in exchange

for a sale price consisting of the cost of purchase and an agreed profit margin.

## Manufacturing

It is a contract between the bank (the manufacturer) and the dealer (the commander) according to which he sells a property that he manufactures for him so that they agree on its exact specifications, the price of the sale, its term and the date of delivery, and the necessary industry and materials are on the bank, the bank develops (manufacturing) the property subject of the manufacturing contract itself or through a contractor who contracts with him and then delivers it to the dealer with the same specifications agreed upon on the date of delivery.

## Lease

A contract under which the bank (lessor) leases to the customer (lessee) an asset in kind (or service) that is owned or leased by the bank (owned or leased by the bank) or is described in the receivable, for a specified period and against specific lease installments, and the lease may end for an asset in kind by the lessee owning the asset leased by an independent contract transferor.

## A Good Loan

A good loan is a non-profit financing that aims to enable the borrower to use the funds for a certain period, provided that he pays the same amount of the loan at the term of the loan without taking any profit or any consideration on that loan.

## Speculation

It is a contract between the bank and the dealer whereby one of the parties (the capital master) provides a certain amount of money and the other party (the speculator) invests it in a specific project or activity and the profit is distributed

between the two parties according to the shares agreed in the contract, and the speculator bears the loss in the event of infringement A or default and/or violation of any of the terms of the speculation contract, otherwise it is on the capital master.

## Agency

It is a contract between the bank and the dealer so that one of the parties (principal – person grants agency) provides the other (agent) with an amount of money and entrusts him with his investment according to conditions and specific items, and the agent's commission is limited to a lump sum and may be added to more than a specified percentage of the expected profit as the agent's incentive profit on good performance, the agent shall bear the loss in case of infringement, default or violation of any of the terms and conditions of the agency contract, otherwise it is on the principal.

## Cheques

Documents of equal value representing common shares in the ownership of a specific asset (leased, or to be leased whether existing or described in the future) or in the ownership of rights resulting from the sale of an existing asset after it is owned by the holders of the cheques, or in the ownership of a commodity arising from the liability, or in the ownership of projects managed on the basis of speculation or participation, in all these cases the holders of the cheques are the owners of their common share of the leased assets, or of the rights or goods arising from the liability, or of the assets of the company's projects or speculation.



#### 4. Cash and Balances at the Central Bank

|   | 2021         | 2020         |
|---|--------------|--------------|
|   | Thousand IQD | Thousand IQD |
| Cash in Treasury                        |              |              |
| Cash in Fund*                           | 35,942,985   | 9,354,237    |
| Cash in fund, Foreign Exchange          | 000          | 20,348,341   |
| Total                                   | 35,942,985   | 29,702,578   |
| Various Provisions                      |              |              |
| Balances at the Central Bank            |              |              |
| Current Accounts*                       | 109,377,737  | 86,921,372   |
| Insurances Reserve of Letters of Credit | 272,262      | 626,834      |
| Mandatory Deposits                      | 1,664,610    | 2,000,661    |
| Total                                   | 111,314,609  | 89,548,867   |
|   | 147,257,594  | 119,251,445  |

\* Cash in the fund and current accounts are not required to be paid any returns in accordance with Islamic Law.

\* \* The bank must keep compulsory deposits with the Central Bank of Iraq. These mandatory deposits are not available for use in bank's daily operations and can only be withdrawn with the approval of the Central Bank of Iraq.

#### 5. Cash and Balances at Banks and Other Financial Institutions

| Statement  | 2021         | 2020         |
|--|--------------|--------------|
|  | Thousand IQD | Thousand IQD |
| Current Accounts, Banks and Local Institutions   | 5,035,321    | 54,669       |
| Current Accounts, Banks and Foreign Institutions | 2,969,483    | 557,467      |
| Less: Expected Credit Losses Provision           | (70,539)     | (11,149)     |
| Total  | 7,934,265    | 600,987      |

\*Expected Credit Losses Provision was established in accordance with International Standard No. (9)

## 6. Share Investments in Companies:

| Statement             | 2021         | 2020         |
|-----------------------|--------------|--------------|
|                       | Thousand IQD | Thousand IQD |
| Long-term Investments | 22,089,473   | 20,750,000   |
| Total                 | 22,089,473   | 20,750,000   |

\* Investments balance at the end of 2021 amounted to (22,089,473) thousand dinars, corresponding to 2020 where it amounted to (20,750,000) thousand dinars, an increase of (1,339,474) thousand dinars. Representing:

1- Representing the purchase of the shares of Lebanon Bank and Al-Mahjar (789,473) and contributing to the establishment of the National Takaful Company with an amount of (550,000).

### 7.1 Islamic Finance

|   | 2021         | 2020         |
|---|--------------|--------------|
|   | Thousand IQD | Thousand IQD |
| Credit Sales  |              |              |
| Credit Sale, Individuals                              | 22,424,513   | 10,061,111   |
| Credit sales initiative for small and medium projects | 6,151,297    | 4,081,663    |
| Salary Localization Credit sales                      | 2,592,388    | 000          |
| Purchase Promise Credit sales                         | 3,491,099    | 000          |
| Residence Credit sales                                | 1,037,564    | 000          |
| Good Loan   | 222,734      | 13,524       |
| Total Islamic Finance                                 | 35,919,595   | 14,156,298   |
| Impairment Provision in Islamic Finance               | (1,227,077)  | (738,543)    |
| Total Islamic Finance                                 | 34,692,518   | 13,417,755   |

\* The impairment provision for Islamic finance has been calculated according to the international standard No. (9).

### 7.2 Islamic Finance, Impairment Provision of Islamic Finance:

Below is the movement on the impairment provision for Islamic finance as follows:

| Statement                 | 2021         | 2020         |
|---------------------------|--------------|--------------|
|                           | Thousand IQD | Thousand IQD |
| Balance as on 1 January   | 738,543      | 248,031      |
| Additions during the year | 488,534      | 490,512      |
| Balance as on 31 December | 1,227,077    | 738,543      |

### 8.1 Property and Equipment

| 2021                            | Machinery and Equip-ment | Furniture and Office Devices | Tools and Temples | Leased Premise Improve-ments | Total     |
|---------------------------------|--------------------------|------------------------------|-------------------|------------------------------|-----------|
| Cost                            | IQD                      | IQD                          | IQD               | IQD                          | IQD       |
| Balance as on 01.01             | 304,595                  | 529,253                      | 2,630             | -                            | 836,478   |
| Additions                       | 67,493                   | 286,444                      | 210               |                              | 354,146   |
| Disposals                       | -                        | (8,355)                      | -                 |                              | (8,355)   |
| Balance as on 31.12             | 372,088                  | 807,341                      | 2,840             |                              | 1,182,269 |
| Accumulated De-preciation       |                          |                              |                   |                              |           |
| Balance as on 01.01             | 54,371                   | 95,843                       | 833               | -                            | 151,047   |
| Depreciations of the year       | 67,246                   | 124,492                      | 630               |                              | 192,368   |
| Settlements during the year     | 000                      | (2,173)                      | 000               |                              | (2,173)   |
| Balance as on 31.12             | 121,617                  | 218,162                      | 1,463             |                              | 341,242   |
| Net Book Value as on 31.12.2021 | 250,471                  | 589,179                      | 1,377             | -                            | 841,027   |

#### Additions

- An amount of (67,492) thousand dinars representing the purchase of solar panels and a generator.
- An amount of(286,444) thousand dinars representing the purchase of tools and office equipment and the purchase of refrigeration and air conditioning

equipment, iron cabinets, curtains and furniture.

- An amount of (210) representing the purchase of fire extinguishers.

| 2020                            | Machinery and Equipment | Furniture and Office Devices | Tools and Temples | Leased Premise Improvements | Total   |
|---------------------------------|-------------------------|------------------------------|-------------------|-----------------------------|---------|
| Cost                            | IQD                     | IQD                          | IQD               | IQD                         | IQD     |
| Balance as on 01.01             | 168,864                 | 259,673                      | 2,630             | -                           | 431,167 |
| Additions                       | 135,731                 | 269,830                      | -                 | -                           | 405,561 |
| Disposals                       | -                       | (250)                        | -                 | -                           | (250)   |
| Balance as on 31.12             | 304,595                 | 529,253                      | 2,630             | -                           | 836,478 |
| Accumulated Depreciation        |                         |                              |                   |                             |         |
| Balance as on 01.01             | 18,339                  | 32,940                       | 384               | -                           | 51,663  |
| Depreciations of the year       | 36,032                  | 62,903                       | 449               | -                           | 99,384  |
| Balance as on 31.12             | 54,371                  | 95,843                       | 833               | -                           | 151,047 |
| Net Book Value as on 31.12.2020 | 250,224                 | 433,410                      | 1,797             | -                           | 685,431 |

## 9. Intangible Assets

| Statement                 | Incorporation Expenses | Systems and Software | Decoration, fittings and Partitions | Cards  | Total   |
|---------------------------|------------------------|----------------------|-------------------------------------|--------|---------|
| Balance as on 01.01.2021  | 203,633                | 461,840              | 16,942                              | 74,377 | 756,792 |
| Additions during the year | 510,770                | 13,184               | 57,674                              | 14,454 | 596,082 |

|                                  |           |           |         |          |           |
|----------------------------------|-----------|-----------|---------|----------|-----------|
| Settlement during the year       | (614,332) | 0         | 0       | (16,065) | (630,397) |
| Amortization of the current year | (15,311)  | (110,940) | (8,126) | (13,286) | (147,663) |
| Balance as on 31.12              | 84,760    | 364,084   | 66,490  | 59,480   | 574,814   |

Additions represents:

A- Incorporation expenses include (70,000) thousand dinars for the incorporation of Ramadi and Abu Fulus branches in Basra.

B- Software systems amounting to (13,184) thousand dinars for the purchase of a banking system, the purchase of a password for Vatika's account, the license of the e-mail protection device and the purchase of a Bilk system.

C. Decoration amounted to (57,674) thousand dinars for the General Administration, Abu Fulus Office, Ramadi Branch and installation of a cashier table for Ramadi Branch.

## 10. Projects under Implementation

| Statement                  | Lands and Premises | Transportation Means | Systems and Software | Branch Opening Expenses | Total      |
|----------------------------|--------------------|----------------------|----------------------|-------------------------|------------|
| Balance as on 01.01.2021   | 13,050,810         | 126,605              | 1,327,482            | 000                     | 14,504,897 |
| Additions during the year  | 5,956,904          | 37,563               | 64,174               | 10,000                  | 6,068,641  |
| Settlement during the year | (699,679)          | 000                  | 000                  | 000                     | (699,679)  |
| Balance as on 31.12        | 18,308,035         | 164,168              | 1,391,656            | 10,000                  | 19,873,859 |

Note:

1- The buildings account represents the cost of purchasing the building of Kar-

bala and the purchase of the Al 'Arsat property and the annex to rehabilitate the building of the bank's headquarters.

2- Additions to transportation represent the purchase of a car for the bank.

3- In addition to the software systems, it represents the first batch of Western Union system, the fees of the Buff system and the percentage of the contract of Buff Company 3%.

## 1\ . Other Assets

| Statement                                | 2021         | 2020         |
|--|--------------|--------------|
|  | Thousand IQD | Thousand IQD |
| Credit Sales                             |              |              |
| Current Activity Debtors, Individuals    | 30,030       | 000          |
| Current Activity Debtors, Incorporates   | 830          | 000          |
| Non-Current Activity Debtors             | 8,090,027    | 10,132,557   |
| Insurances for others (foreign Credits)  | 6,586,419    | 3,272,257    |
| Advances for Activity                    | 148,449      | 000          |
| Balances for Employees                   | 356,018      | 323,173      |
| Prepaid expenses                         | 9,336        | 6,400        |
| Judicial Expenses                        | 177          | 000          |
| Suspended Account/ Master Card Movements | 197,652      | 1,446        |
| Ally Deposits                            | 1,242,542    | 1,999,542    |
| Total                                    | 16,661,480   | 15,735,375   |

## 12.A Customers' Deposits

| Statement                        | 2021         | 2020         |
|----------------------------------|--------------|--------------|
|                                  | Thousand IQD | Thousand IQD |
| Credit Current Accounts, Banks   | 930          | 930          |
| Current Accounts, Incorporates   | 18,348,793   | 15,310,600   |
| Current Accounts, Individuals    | 2,975,855    | 2,480,270    |
| Investment Deposits, Individuals | 000          | 320,000      |
| Total                            | 21,325,578   | 18,111,800   |

\* The total deposits balance at the end of 2021 amounted to (21,325,578) thou-



sand dinars, corresponding to an amount of (18,111,800) thousand dinars at the end of 2020, an increase of (3,213,778) thousand dinars, which constitutes (39%) of the value of the liabilities amounting to (54,633,504) thousand dinars, and the balance of customer deposits represents (11%) of the capital and reserves amounting to (199,276,735) thousand dinars .

## 12.B Current-Nature Accounts

| Statement                            | 2021         | 2020         |
|--------------------------------------|--------------|--------------|
|                                      | Thousand IQD | Thousand IQD |
| Bills drawn on the bank              | 176,800      | 7,711        |
| Cheques drawn on the bank            | 3,704,579    | 403,014      |
| Central Bank Inquiries               | 130          | 000          |
| Branch transfers drawn on the bank   | 13,700       | 000          |
| Deductions from employees for others | 000          | 2,963        |
| Total                                | 3,895,209    | 413,688      |
| Final Total (A+B)                    | 25,220,787   | 18,525,488   |

## 13. Cash Insurances

| Statement                        | 2021         | 2020         |
|----------------------------------|--------------|--------------|
|                                  | Thousand IQD | Thousand IQD |
| Insurances for Letters of Credit | 5,509,780    | 4,926,360    |
| Insurances for Credits           | 2,487,519    | 5,384,402    |
| Total                            | 7,997,299    | 10,310,762   |

## 14. Various Provisions

| Statement                    | 2021         | 2020         |
|------------------------------|--------------|--------------|
|                              | Thousand IQD | Thousand IQD |
| Balance as on 01 January     | 3,336,353    | -            |
| Additions during the year    | 000          | 3,336,353    |
| Written-offs during the year | (1,357,944)  | -            |
| Balances as on 31 December   | 1,978,409    | 3,336,353    |

| Statement                              | 2021         | 2020         |
|--|--------------|--------------|
|  | Thousand IQD | Thousand IQD |
| Income tax Provision, Direct Deduction |              |              |
| Balance as on 01 January               | 85,000       | 30,000       |
| Additions during the year              | 000          | 55,000       |
| Balances as on 31 December             | 85,000       | 85,000       |

| Statement                   | 2021         | 2020         |
|-----------------------------|--------------|--------------|
|                             | Thousand IQD | Thousand IQD |
| Pledge Obligation Provision |              |              |
| Balance as on 01 January    | 336,188      | 322,842      |
| Additions during the year   | 179,688      | 13,346       |
| Balances as on 31 December  | 515,876      | 336,188      |
| Total                       | 2,579,285    | 3,757,541    |

## 15. Income Tax Provision

| Statement                   | 2021         | 2020         |
|-----------------------------|--------------|--------------|
|                             | Thousand IQD | Thousand IQD |
| Balance as on 01 January    | 303,892      | -            |
| Due Income Tax for the year | 112,576      | 303,892      |
| Balances as on 31 December  | 416,468      | 303,892      |

### 15.2 Income Tax Provision Settlement

| Statement  | 2021         | 2020         |
|--|--------------|--------------|
|  | Thousand IQD | Thousand IQD |
| Net profit under Income list Statement B                   |              | 655,125      |
| Add: Non-net taxable expenses:                             |              |              |
| Donations for others                                       | 000          |              |
| Compensation and fines                                     | 67,800       |              |
| Special Service Expenses                                   | 187,000      |              |
| Compensation for non-workers                               | 168,142      |              |
| Total non-taxable expenses                                 |              | 422,942      |
| Net Profit after additions                                 |              | 1,078,067    |
| Less: Tax-exempt income                                    |              |              |
| 20% of Accumulated Deficit (50% of the Profit of the year) |              | 327,562      |
| Taxable profit (Tax Profit)                                |              | 750,505      |
| Tax percentage (15%)                                       |              | 15%          |
| Realized Tax Amount  |              | 112,576      |

**Clarifications:-**

\* The amount of the tax was calculated in accordance with the Iraqi Tax Law and at a rate of (15%) of the tax profit. The amount was calculated in accordance with the tax instructions.

\* The tax due for previous years and the year ended 31 January 2021 will be paid during 2022.

**16. Central Bank of Iraq Loans**

| Statement                  | 2021         | 2020         |
|----------------------------|--------------|--------------|
|                            | Thousand IQD | Thousand IQD |
| Central Bank of Iraq Loan* | 7,240,701    | 3,942,000    |
|                            | 7,240,701    | 3,942,000    |

\* This amount represents the Central Bank of Iraq's loan to the bank for the purpose of lending it to citizens for the purpose of small and medium enterprises and housing Murabaha.

**17. Other Liabilities**

| Statement  | 2021         | 2020         |
|--|--------------|--------------|
|  | Thousand IQD | Thousand IQD |
| Revenue received in advance                          | 3,269,286    | 2,762,727    |
| Payable Administrative Expenses                      | 60,295       | 43,427       |
| Received Deposits/ Currency Auction                  | 6,329,480    | 132,880      |
| Movement Settlements/ master Card                    | 79,551       | 416          |
| Due Financial Stamp Fees                             | 13,406       | 000          |
| Golden alloys Deposit                                | 1,242,542    | 1,999,542    |
| Non-Current Activity Creditors                       | 000          | 21,900       |
| Governmental Sector's Creditors                      | 84,573       | 000          |
| Current Activity Creditors                           | 60           | 000          |
| Deduction from employees for others/ Social Security | 11,045       | 000          |
| Private Sector's Creditors                           | 000          | 64,404       |
| Companies Deposits                                   | 1000,000     |              |
| Total  | 12,090,238   | 5,025,296    |

## 18. Paid up Capital

The capital paid to AL-Mashriq Al-Arabi Islamic Bank for Investment was increased in two stages:

- The first stage: The bank was established with a capital of (100,000,000,000) Iraqi Dinars under Certificate of Incorporation numbered (R.C./01000089976) dated 03.10.2017 and practiced its work as an Islamic bank under the leave granted by the Central Bank of Iraq in its letter No. 8264/3/9 dated 09.04.2018 and started its business through the main branch according to Central Bank of Iraq Letter No. 27527/3/9 dated 28.11.2018
- The second stage: The capital was increased from 100 billion dinars to 150 billion dinars by issuing 50 billion shares in accordance with the provisions of the Companies Law No. 21 of 1997, and this increase was done on 10.02.2021 as per Companies Registration Department Letter No. 3916.
- The third stage: The capital was increased from 150 billion dinars to 200 billion by issuing 50 billion shares in accordance with the provisions of the Companies Law No. 21 of 1997, and this increase was done on 17.03.2021, as per Companies Registration Department Letter No. 9343.

## 19. Reserves

### Mandatory Reserves

According to the Iraqi Companies Law, 5% (as a minimum) of the year's income shall be deducted after taxes as a mandatory reserve. The accumulated amounts of this account may not exceed 50% of the bank's capital, nor may the mandatory reserve or any proceeds resulting from it be distributed to the shareholders.

The deduction may continue with the approval of the General Authority of the Bank, provided that the mandatory reserve does not exceed 100% of the bank's capital.

## Other Reserves

The provision for other reserves consists of the reserve for the expansion of the bank's activities and the reserve for social responsibility decided by the bank's board of directors.

## 20. Islamic Exchange Revenues

| Statement                                  | 2021         | 2020         |
|--|--------------|--------------|
|  | Thousand IQD | Thousand IQD |
| Profits realized from Murabaha             | 1,274,803    | 263,685      |
| Other realized profits (Central Bank Loan) | 224,606      | 121,751      |
| Domiciliation profits                      | 18,219       | —            |
| Participation Profits                      | 80,000       | —            |
| Total                                      | 1,597,628    | 385,436      |

## 21. Fees and Commission Revenues, Net

| Statement                         | 2021         | 2020         |
|-----------------------------------|--------------|--------------|
|                                   | Thousand IQD | Thousand IQD |
| Credit Commissions                |              |              |
| Letters of Credit Commission      | 1,049,939    | 545,234      |
| Credits Revenues                  | 1,008,840    | 635,532      |
| Profits from ATM                  | 2,177        | 2,176        |
| Various Banking Commissions       | 317,272      | 154,715      |
| Other Banking Commissions         | 233,570      | 295,977      |
| Post Expenses                     | 5,457        | 4,933        |
| Reuters platform revenue          | 18,039       | 000          |
| Contracts Commissions             | 82,469       | 000          |
| Card Department Profits           | 14,691       | 000          |
| Banking Printings Sales           | 10,627       | 8,514        |
| Total Fee and Commission Revenues | 2,743,081    | 1,647,081    |
| Less: Paid Debit Commissions      | -            | -            |
| Total                             | 2,743,081    | 1,647,081    |

| 22.A.Foreign Exchange Purchase and Sale Revenues<br><br>Statement | 2021            | 2020         |
|---|-----------------|--------------|
|   | Thousand<br>IQD | Thousand IQD |
| Revenues of Purchase and Sale Foreign Exchange                    | -               | -            |
| Total Revenues of Purchase and Sale Foreign Exchange              | -               | -            |

## 22.B Foreign Exchange Revenues

| Statement                                      | 2021         | 2020         |
|--|--------------|--------------|
|  | Thousand IQD | Thousand IQD |
| Foreign Exchange Revenues for Credits          | 127,929      | 492,251      |
| Foreign Exchange Revenues for Transfers        | 16,979       | 2,762,069    |
| Foreign Exchange Revenues/ Exchanges Companies | 188,311      | 31,020       |
| Cash Revenues, Bank Share                      | 50,700       | 11,200       |
| Total  | 383,919      | 3,296,540    |

\* The bank's purchases from the window of buying and selling foreign currency from the Central Bank of Iraq during the year 2021 amounted to the following:-

| Foreign Exchange Revenues | Purchases       | Realized Revenue |
|---------------------------|-----------------|------------------|
|                           | Thousand<br>USD | Thousand IQD     |
| Credits                   | 127,929         | 13,709           |
| Transfers                 | 16,979          | 2,544            |
| Exchanges Companies       | 188,311         | 87,050           |
| Bank Share                | 50,700          | 5,070            |
| Total                     | 383,919         | 108,373          |

## 23. Other Revenues

| Statement      | 2021         | 2020         |
|----------------|--------------|--------------|
|                | Thousand IQD | Thousand IQD |
| Other Revenues | 2,173        | 26,337       |
| Total          | 2,173        | 26,337       |



## 24. Employees Expenses

| Statement                               | 2021         | 2020         |
|---|--------------|--------------|
|   | Thousand IQD | Thousand IQD |
| Salaries and Wages                      | 886,775      | 722,359      |
| promotional rewards                     | 25,642       | 1,018        |
| compensatory allowances                 | 259,006      | 207,858      |
| Training and qualification of employees | 33,776       | 7,432        |
| Other allowances                        | 9,700        | 3,200        |
| Social Security share                   | 84,723       | 66,202       |
| Total                                   | 1,299,622    | 1,008,069    |

## 25. Banking Operations Expenses

| Statement                      | 2021         | 2020         |
|--------------------------------|--------------|--------------|
|                                | Thousand IQD | Thousand IQD |
| Paid Bank commissions          | 140,867      | 211,732      |
| Currency valuation differences | 0            | 469,191      |
| Total                          | 140,867      | 680,923      |

## 26. General and Administrative Expenses

| Statement                        | 2021         | 2020         |
|----------------------------------|--------------|--------------|
|                                  | Thousand IQD | Thousand IQD |
| fuels and oils                   | 60,865       | 39,536       |
| Supplies and tasks               | 56,942       | 11,342       |
| Stationery                       | 28,857       | 13,543       |
| Staff equipment                  | 125          | -            |
| water and electricity            | 45,936       | 4,219        |
| maintenance expenses             | 54,171       | 13,822       |
| Research and consulting services | 15,420       | 16,500       |
| Advertising                      | 395,792      | 115,217      |
| Publish and print                | 11,443       | 13,524       |
| hospitality                      | 10,289       | 5,171        |
| Events                           | 5,161        | -            |
| Conferences & Seminars           | 10,000       | -            |
| transportation expenses          | 17,197       | 37,019       |
| Travel and dispatch              | 120,471      | 45,391       |
| Communication expenses           | 54,095       | 44,407       |
| rental expenses                  | 90,814       | 60,016       |

|                              |           |  |         |
|------------------------------|-----------|--|---------|
| Subscriptions                | 245,549   |  | 227,145 |
| Compensation for non-workers | 168,142   |  | 126,382 |
| legal services               | 11,848    |  | 13,010  |
| Auditing fees / auditors     | 54,393    |  | 43,427  |
| Other audit fees             | 18,000    |  | -       |
| Cards department fees        | 162,416   |  | 72,172  |
| Other operating expenses     | 173,157   |  | 21,253  |
| Total                        | 1,811,083 |  | 923,096 |

## 27. Depreciations

| Statement                                      | 2021         |  | 2020         |
|--|--------------|--|--------------|
|  | Thousand IQD |  | Thousand IQD |
| Depreciation of machinery and equipment        | 67,246       |  | 36,032       |
| Depreciation of furniture and office equipment | 124,492      |  | 62,903       |
| The extinction of tools and templates          | 630          |  | 449          |
| Amortization of intangible assets              | 147,663      |  | 8,983        |
| Total  | 340,031      |  | 108,367      |

## 28. Transfer Expenses

| Statement                 | 2021         |  | 2020         |
|---------------------------|--------------|--|--------------|
|                           | Thousand IQD |  | Thousand IQD |
| Compensation and fines    | 67,800       |  | 8,166        |
| Various taxes and fees    | 225,273      |  | 231,530      |
| Special Services Expenses | 187,000      |  | 132,600      |
| Donations for others      | 000          |  | 122,000      |
| Total                     | 480,073      |  | 494,296      |

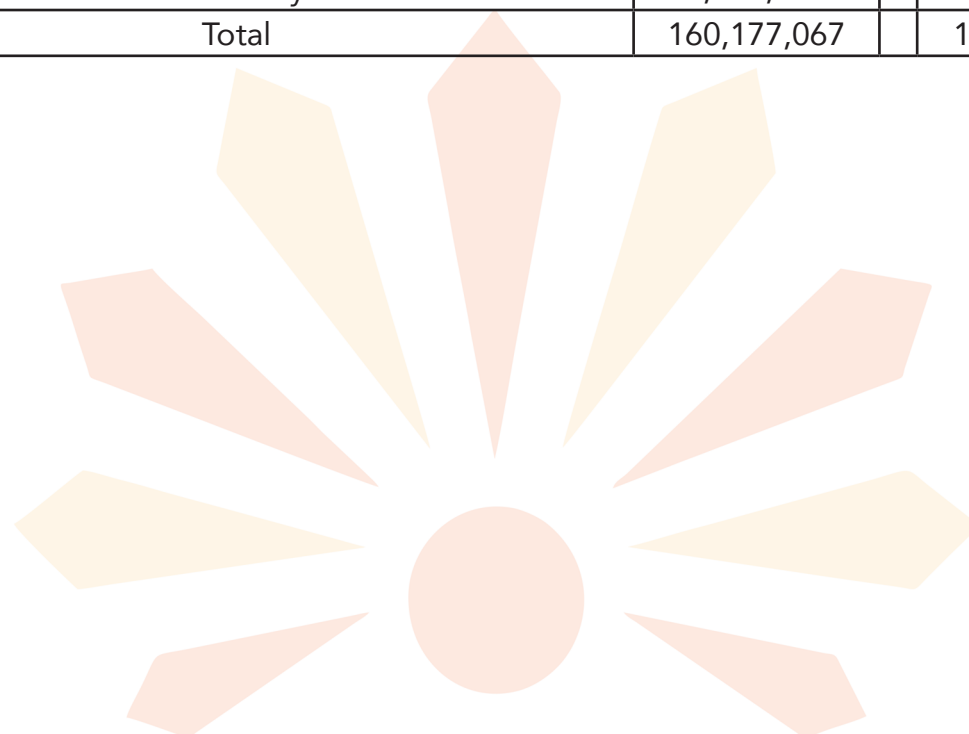
## 29. Undertaking obligations, their Equivalences, and the guarantees received in respect of each of them:

| Statement                                  | 2021         |  | 2020         |
|--|--------------|--|--------------|
|  | Thousand IQD |  | Thousand IQD |
| Documentary Credits                        | 11,799,476   |  | 16,885,394   |
| Less: Documentary Credit Insurances        | 2,487,518    |  | 5,384,402    |
|  | 9,311,958    |  | 11,500,992   |
| Obligations for Letters of Credits         | 21,991,605   |  | 21,780,321   |
| Less: Insurances against letters of Credit | 5,509,779    |  | 4,926,360    |
|  | 16,481,826   |  | 16,853,961   |

|  |            |            |
|--|------------|------------|
| Add: Other in-kind deposits in the custody of the bank                           | —          | -          |
| Total undertaking Obligations, net, are transferred to<br>the financial position | 25,793,784 | 28,354,953 |

### 30. Cash and Cash Equivalent

| Statement  | 2021         | 2020         |
|--|--------------|--------------|
|  | Thousand IQD | Thousand IQD |
| Cash and balances with the Central Bank              | 147,257,594  | 119,251,445  |
| Balances with banks and other financial institutions | 7,934,265    | 600,987      |
| Gold Alloys  | 4,985,208    | 4,985,208    |
| Total  | 160,177,067  | 124,837,640  |



# AL-Mashriq Al-Arabi Islamic Bank for Investment Consolidated Financial Statements 31 December 2021



## AL-Mashriq Al-Arabi Islamic Bank for Investment

Consolidated Financial Position Statement  
As on 31 December 2021  
Statement (A)

|   | Notes | AL-Mashriq Al-Arabi Islamic Bank<br>Thousand IQD | Nakheel Al-Mashriq Co. for Trading<br>Thousand IQD | Bawabat Al-Mashriq Co. for Consultancies<br>Thousand IQD | Amendments<br>Thousand IQD | Final Total<br>Thousand IQD |
|---|-------|--|--|--|----------------------------|-----------------------------|
| <b>Assets</b>   |       |  |  |  |                            |                             |
| Cash And Balances at The Central Bank                           | 4     | 147,257,594                                      | 2,766,202  | 4,031,203  | -                          | 154,054,999                 |
| Balances and Deposits at Other Banks And Financial Institutions | 5     | 7,934,265  | 1,243,742  | 2,150,649  | (3,850,447)                | 7,934,265                   |
| Golden Coins  |       | 4,985,208  | -  | -  | -                          | 6,228,950                   |
| Shares Investments in Companies                                 | 6     | 22,089,473                                       | -  | -  | (20,000,000)               | 2,089,473                   |
| Islamic Financing (Net)   | 7     | 34,692,518                                       | -  | -  | -                          | 34,692,518                  |
| Property And Equipment (In Book Value)                          | 8     | 841,027  | 25,906   | 13,479   | -                          | 880,412                     |
| Intangible Assets   | 9     | 574,814  | 143,238  | 87,877   | -                          | 805,929                     |
| Projects Under Construction                                     | 10    | 19,873,859                                       | 0  | 0  | -                          | 19,873,859                  |
| Other Assets  | 11    | 16,661,480                                       | 703,750  | 4,006,317  | -                          | 21,371,547                  |
| Good Inventory for sale/ Vehicles                               |       | -  | 3,697,688  | -  | -                          | 3,697,688                   |
| <b>Total Assets</b>   |       | <b>254,910,238</b>                               | <b>10,280,324</b>                                  | <b>10,289,525</b>  | <b>(23,850,447)</b>        | <b>251,629,640</b>          |
| <b>Liabilities and Equity</b>                                   |       |  |  |  |                            |                             |
| Clients's Deposits  | 12    | 25,220,787                                       | -  | -  | (3,850,447)                | 21,370,340                  |
| Cash Insurances   | 13    | 7,997,299  | -  | -  | -                          | 7,997,299                   |

|  |    |             |            |            |              |             |
|--|----|-------------|------------|------------|--------------|-------------|
| Various Allocations  | 14 | 2,579,285   | -          | -          | -            | 2,579,285   |
| Income Tax Allocation  | 15 | 416,468     | 34,697     | 42,884     | -            | 494,049     |
| Central Bank of Iraq Loans   | 16 | 7,240,701   | 0          | 0          | -            | 7,240,701   |
| Other Liabilities  | 17 | 12,090,238  | 62,083     | 14,450     | -            | 12,166,771  |
| Total Liabilities  |    | 55,544,778  | 96,780     | 57,334     | (3,850,447)  | 51,848,445  |
| <b>Equity</b>  |    |             |            |            |              |             |
| Paid Capital   | C  | 200,000,000 | 10,000,000 | 10,000,000 | (20,000,000) | 200,000,000 |
| Mandatory Reserve  | C  | 118,965     | 9,831      | 12,151     | -            | 140,947     |
| Turnover Interests   | C  | 2,260,335   | 186,783    | 230,860    | -            | 2,677,978   |
| Turnover Lost  | C  | (3,013,840) | (13,070)   | (10,820)   | -            | (3,037,730) |
| Net Equity   |    | 199,365,460 | 10,183,544 | 10,232,191 | (20,000,000) | 199,781,195 |
| Total Liabilities and Equity   |    | 254,910,238 | 10,280,324 | 10,289,525 | (23,850,447) | 251,629,640 |
| Return on obligations under the bank's custody (Accounts outside the Budget) | 29 | 25,793,784  | -          | -          | -            | 25,793,784  |

Financial Manager  
Saja Ghazi Rasheed

Managing Director  
Ali Dhiyaa Al-Husseini

Head of Board of Directors  
Sadiq Kadhim Al-Mashat

Subject to our report no. 17/233/32/22.03.2022 dated 22.03.2022.

Nihad Sheya Obaid Al-Saeedi  
Chartered Accountant and Auditor  
Member of Iraqi Chartered Accountants

Mahmood Rasheed Ibrahim Al-Fahad  
Chartered Accountant and Auditor  
Member of Iraqi Chartered Accountants



Consolidated Comprehensive Income Statement  
As on 31 December 2021  
Statement (B)

| Statement  | Notes | AL-Mashriq<br>Al-Arabi<br>Islamic Bank<br>Thousand IQD | Nakheel<br>Al-Mashriq<br>Co. for<br>Trading<br>Thousand<br>IQD | Bawabat Al-<br>Mashriq Co. for<br>Consultancies<br>Thousand IQD | Amendments<br>Thousand<br>IQD | Final Total<br>Thousand<br>IQD |
|--|-------|--|--|---|-------------------------------|--------------------------------|
| Operation Revenues                                   |       |  |  |   |                               |                                |
| Islamic Banking Revenues                             | 20    | 1,597,628  | -  | -   | -                             | 1,597,628                      |
| Fees And Commissions Revenues, Net                   | 21    | 2,743,081  | -  | -   | -                             | 2,743,081                      |
| Revenues of Buying and Selling Foreign<br>Currencies | 22    | 386,092  | -  | -   | -                             | 386,092                        |
| Other Revenues                                       |       | -  | 4,547,239  | 379,518   | -                             | 4,926,757                      |
| Total Operation Revenues                             |       | 4,726,801  | 4,547,239  | 379,518   | -                             | 9,653,558                      |
| Operation Expenses                                   |       |  |  |   |                               |                                |
| Employee Expenses                                    | 24    | 1,299,622  | 46,670   | 49,358  | -                             | 1,395,650                      |
| Cash Credit Impairment Allowance                     | 2,7   | -  | 0  | 0   | -                             | 0                              |
| Banking Operations Expenses                          | 25    | 140,867  | 0  | 0   | -                             | 140,867                        |
| General And Administrative Expenses                  | 26    | 2,291,156  | 4,230,571  | 20,798  | -                             | 6,542,525                      |



|  |                |           |           |          |   |           |
|--|----------------|-----------|-----------|----------|---|-----------|
| Depreciations and Amortizations              | 27             | 340,031   | 38,687    | 23,467   | - | 402,185   |
| Total Operation Expenses                     |                | 4,071,676 | 4,315,928 | 93,623   | - | 8,481,227 |
| Profit (Loss) of the year before Tax         |                | 655,125   | 231,311   | 285,895  | - | 1,172,331 |
| Income Tax                                   | 2,15           | (112,576) | (34,697)  | (42,884) |   | (190,157) |
| Profit (Loss) of the year after Tax          |                | 542,549   | 196,614   | 243,011  |   | 982,174   |
| Other Comprehensive Income Items of the year |                | -         | -         | -        |   | -         |
| Total Comprehensive Income of the year       | Statement<br>C | 542,549   | 196,614   | 243,011  | - | 982,174   |

## Clarifications:

1. Adjustments amount of (3,850,447) thousand dinars from the cash balance represents amounts belonging to the subsidiaries deposited at AL-Mashriq Al-Arabi Islamic Bank for Investment.
2. Adjustments amount of (20,000,000) thousand dinars from the investment balance represents the amount of capital for the subsidiaries in which the bank has invested.
3. Adjustments amount of (3,850,447) thousand dinars from customers' deposits balance represents amounts belonging to subsidiaries deposited at AL-Mashriq Al-Arabi Islamic Bank for Investment.
4. Adjustments amount of (20,000,000) thousand dinars of the capital balance represents the amount of capital for the subsidiaries in which the bank has invested.

## AL-Mashriq Al-Arabi Islamic Bank for Investment Report (Audit Committee)



## AL-Mashriq Al-Arabi Islamic Bank for Investment Report (Audit Committee)

### AL-Mashriq Al-Arabi Islamic Bank General Committee Members

Greetings,

Based on Banking Law provisions No. (94) of 2004 and General Committee approval at its meeting held on 15.03.2018 on the election and formation of Accounts Audit Committee from the members whose names are listed below:

ALAA SAMAWI AL-ZUBAIDI/ Chairman

GHADEER MOHAMMED AL-ATTAR/ Member

HAIDER HAMZA JUDI / Member

The committee held its periodic meetings and issued quarterly reports on its meetings, included the bank's various work, final accounts and statements and attached reports as at 31.12.2021. Committee's tasks also include monitoring the integrity of the bank's financial statements, developing and applying the contract policy with auditors, and ensuring the independence of the legal and financial control and risk management systems, in addition to auditing, applying and supervising the legal internal control systems and policy to ensure the proper performance of their work, as well as supervising the AML/CFT office, which is linked to the Council and is responsible for applying the policies of special operations, tasks and duties resulting therefrom, including the preparation of periodic reports on its activities.

We would like to highlight the most prominent work carried out by the Committee during the year 2021:

1. Audit the financial department reports and ensure that the standard ratios

are within the limits of the acceptable ratios.

2. Audit the comprehensive examination results to evaluate the bank within (Camel) Criteria.
3. A meeting was held with bank's auditors to discuss bank's activity results and the most important elements of its revenues subject to Central Bank of Iraq instructions regarding the revenues achieved as a result of the exchange rate change and disposing these revenues, as well as ensuring that the cash credit examination is being calculated subject to Standard No. (9).
4. Audit the measures taken by the bank regarding the localization of salaries to reach the best ways to serve customers and provide the best Islamic services in accordance with the technological progress in the field of providing Islamic banking services such as ATMs and issuing electronic card as well as providing advances to customers for the purpose of purchasing a residential unit.... etc.
5. The Committee audited the credit schedule until 31.12.2021. The Committee confirmed that there are no credit overruns until the date mentioned. The Committee recommended monitoring the credit schedule as well as monitoring the outstanding credits and following up their collection.
6. The Committee audited the revenues and expenses for the financial year ended on 31.12.2021 and the results show the following:
  - 6-1. The bank achieved revenues amounted to (5,355,394,000 ) dinars as of 31.12.2021 and upon viewing the details of these revenues, we hereby clarify the following:
  - 6-2. The total expenses before tax amounted to (321,4751,000) dinars as of 31.12.2021. The most prominent expenses were the salaries of em-

ployees, which amounted to (10,8069,000) dinars, and administrative expenses amounting to (1,417,392,000) dinars.

6-3. The bank achieved a profit of (2,140,643) dinars and this requires the bank to develop a policy for the distribution of profits.

7. Cash balance and balances at the Central Bank amounted to (119) billion dinars as of 31.12.2021, which requires the administration to work on using an important part of this amount in the field of Islamic finance and investments in shares, companies and participations for the purpose of achieving profits for the bank and increasing the capital return.

8. The balance of employee advances amounted to (323,173) dinars and this requires the establishment of specific controls and procedures approved by the Board of Directors to grant these advances to employees by the management.

