

IRAQI ISLAMIC BANK
For Investment & Development



المصرف العراقي الإسلامي
لِلإسْتِثْمَارِ وَالتَّنْمِيَةِ



TWENTY NINE
ANNUAL REPORT 2020



Table of Contents

- 1 Inviting the members of the General Assembly to attend the annual meeting.
- 2 Chairman's speech.
- 3 Our vision, mission and goals.
- 4 Board of Directors and the Sharia Supervisory Board.
- 5 Committees of the Board of Directors.
- 6 Report of the Board of Directors on the activities of the Bank for the financial year ended on 31 December 2020.
- 7 Report of the Sharia Commission.
- 8 Report of the Auditing Committee.
- 9 Report of Governance Committee.
- 10 Corporate Governance Manual for the Bank.

Subject: Call for General Assembly Meeting

To: The Shareholders of Iraqi Islamic Bank

For Investment and Development

Upon the rules of articles (87) and (88) of the Companies Act No. (21) for the year (1997) as amended and in implementation of the decision issued by the Board of Directors (BOD) of the Iraqi Islamic Bank for Investment and Development in its (6th) session dated 27/07/2021 with regard to inviting the General Assembly members for a meeting, we are please to invite you to attend the General Assembly meeting which will be held Sulaymaniyah City, Grand Millennium Hotel at (10:00 AM) on 11/09/2021. if no quorum has been attained, then the meeting will be adjourned to 18/09/2021 at the same time and place to discuss the following agenda:

- 1 To discuss and ratify the BOD report over the Bank's activity for the financial year ending on 31/12/2020.
- 2 To discuss and ratify the accounting controllers report over the Bank's balance sheet and closing accounts as on 31/12/2020.
- 3 To discuss and ratify the auditing committee's report, formed upon the Iraqi Banks Law No. (94) for the year (2004) and the Islamic Banks Law No. (43) for the year (2015).
- 4 To discuss and ratify the Bank's Sharia Report.
- 5 To discuss the distribution of dividends for the financial year ending on 31/12/2020.
- 6 To discuss the increase of extensions reserve.
- 7 To increase the credit risk allocation according to the international financial reporting standard No. (9) which should be fulfilled upon the Central Bank of Iraq instructions and to recognize the resulting increase per each season.
- 8 To discuss and decide over extinguishing frozen debts, amounted ID (40,748,075) Forty Million Seven H. Forty Eight Thousand and Seventy-Five Iraqi Dinar from the credit risk allocation account.
- 9 To discuss and decide over extinguishing from the allocation account, an amount of ID (2,915,975,401) Two Billion Nine Hundred Fifteen Million Nine Hundred Seventy Five Thousand and Four Hundred One Iraqi Dinar.

- 10 To discuss and decide over extinguishing the fixed assets losses, amounted ID (44,145,000) Forty Four Million and One Hundred Forty Five Thousand Iraqi Dinar.
- 11 To appoint and affix the remuneration of accounting controllers for the Bank for the year (2021).
- 12 To acquit the current chairman and members of the BOD.
- 13 To discuss and affix the remuneration of the current members of the BOD.
- 14 To discuss and affix the remuneration of the current member of the Sharia Board.

Please attend whether personally or by proxy to a shareholder through a proxy form or power of attorney issued to a 3rd party, certified by the Notary Public. All proxies and powers of attorney should be deposited at the Iraqi Securities Commission at least (3) days before the meeting date, upon the rules of article (91) at the same place and date after showing your shares certificate and both parties identity documents.



Ahmed Waleed Ahmed
Chairman of the BOD

Chairman's speech

Ladies and Gentlemen/ the shareholders

Dear Guests,

I, for myself and on behalf of my colleagues the members of Board of Directors and Executive management, would like to thank and welcome you, dear shareholders and guests for your kind presence and continued support. We are pleased to meet you today to display and discuss the (29th) annual report of the Iraqi Islamic Bank for Investment and Development which continues on a growth path to develop its banking business, relying upon its glorious history and inherent confidence by the part of our generous customers and dealers, its strong financial status, capital and the efforts exerted by the Board of Directors and Executive Management.

All this stems out of up to date scientific methods and banking business strategies as per the international standards with the aim of making the Bank among the biggest in the region.

Ladies and Gentlemen/ dear colleagues,

The Iraqi Islamic Bank for Investment and Development has continued to draw policies and put well designed plans and procedures to keep its remarkable status and reputation in the banking sector among an extremely competitive and challenged environment. It has enhanced its ability to expand through polarizing and coping with the updates in the financial and banking markets to face the challenges caused by the Covid-19 pandemic so, it continued to work remotely in a safe environment to avail the different Sharia-based banking services to meet the aspiration of the dealers and customers. The Bank's Board of Directors has raised the slogan of (distinction and modernity) to draw the Bank's policies and guidance to the Executive Management, so as to become a milestone for the Iraqi Islamic Bank for Investment and Development.

The Covid-19 pandemic has led to general lockdowns and closures, so the Bank, having obtained the due approvals, has launched the (Mobile Bank Branch) project, which is a turning point to enable the citizens and customers to obtain banking services at their nearest residence place in order to avoid going to the headquarters and abide by the social distancing rules to reduce the risks of the viral infection.

The recent years have witnessed launching of several banking initiatives, approved by the Central Bank of Iraq, to support the industrial, agricultural and commercial projects. This stems out of the sense of social responsibility to find solutions and contribute to alleviate the Covid-19 pandemic negative effects on the Iraqi citizen and our beloved country.

The Iraqi Islamic Bank for Investment and Development is a big supporter for the success of this trend in such a manner as it included a wide range of companies and the Bank customers who meet the conditions laid by the Central Bank of Iraq, so that this initiative would become extremely important to attract more companies and customers to work with the Bank.

The Bank's strategy to consolidate the dealers confidence has also been confirmed to attract the deposits, expand the depositors base, support the Bank's Financial Status, increase the assets and keep higher liquidity rate than that required in accordance with the laws and instructions of Central Bank of Iraq in order to ensure the shareholder and depositor rights.

The Bank has also taken several decisions and put many plans to consolidate and develop the e-banking services. Many services have been updated through the mobile phone applications, whereby the Bank customers may handle their accounts-related banking transactions electronically in accordance with the latest technologies with a short time and less effort to cope with the instructions of the Central Bank of Iraq.

On the light of the Bank's vision to expand its operations and in order to apply the financial inclusion concept as well as the objectives set by the Central Bank of Iraq to offer services and facilities to meet the individual's needs, the financing processes have been activated to purchase housing units within the Central Bank of Iraq's new initiative to expand the beneficiary categories base to include the employees whose salaries have been transferred provided that the purchase would be within the investment housing complexes, licensed by the National Investment Board. The salaries of both of Ministry of Defense and Ministry of Interior employees have also been transferred after fulfilling the technical and security requirements.

The banking systems have also been updated and developed, with subsidiary and support tools being added to strengthen the Bank's infrastructure. Therefore the human resources management system and enterprise resources planning system have been developed. As for the services offered to the companies, plans have been put to avail salary distribution systems through the beneficiary party directly (Bulk Salary System) and (Credit Bureau) system to serve the interest of those dealing with the Bank.

Regarding the risks management, the Bank continues to develop internal control mechanisms and procedures through applying the best corporate governance practices. It pays special attention to this role in order to enhance the Bank's performance to cope with the regulatory authorities requirements and in line with the Islamic Banking International Standards. In fact, the corporate governance is a milestone in regulating the Bank's relation with its customers and the relevant parties.

The social responsibility is a key part of our Bank's identity, through the different social contributions in different conditions.

For this reason, the Iraqi Islamic Bank for Investment and Development is keen to be present in the different social initiatives to alleviate the Iraqi citizen's burdens, especially those related to the displaced people support fund, the eid celebration clothes and many other donations.

Ladies and Gentlemen/ dear colleagues,

The Bank has also achieved positive financial and liquidity portfolio rates. The capital efficiency has been (55%) which is well above the rate affixed by the Central Bank of Iraq and other regulatory authorities. The Bank's overall assets (ID 806 Billion) in the year (2020) are 3% more than those in (2019) (ID 782 Billion), whereas the overall profits before the tax were ID (18) Billion in 2020.

As for the human resources management, the Bank has paid special attention to preparing distinguished banking staff with adherence to apply the Bank's vision and message through availing a motivating work environment and developing their performance via local and international courses and participation in the different symposiums and conferences to enhance their banking skills.

Finally, I for myself and on behalf of the members of the Board of Directors, would like to thank you and appreciate your confidence and support. We would also like to thank the Central Bank of Iraq and his Excellency the Central Bank Governor for their continued efforts and support to the banking sector. I would also thank all officials and employees of the companies registration department, the chairman and members of Iraqi securities commission, the accounting controllers, the Sharia board and accounts revision committee. I would also thank the executive management and the Bank's employees for their efforts to achieve the aspired goals.

May God grant us all success and progress for our Bank with best thanks, appreciation and best regards.



Ahmed Waleed Ahmed
Chairman of the Board of Directors



Our vision, mission and goals

Our vision:

Leadership and distinction in providing the best banking services and products in line with the provisions and principles of Islamic law and the service of financial inclusion.

Mission:

- Adherence to the highest standards of banking systems within the framework of the Islamic Sharia principles.
- The effective contribution to the development of the national economy through investment and financial products in line with the current requirements.
- Documenting and strengthening the expansionary steps and outreach in the local and international banking market through the provision of integrated financial services to the clients, under the motto:

**"Service and Excellence in Banking Performance
under the Principles of Islamic Sharia".**

Goals:

- Commitment to providing the best standards of banking services in accordance with Islamic Sharia in commensuration with the applicable rules and laws by using state of the art technologies in all dealings, whether in the communication means, computer technologies or information systems.
- Encouraging the provision and saving of funds and sound investment in various investment fields in accordance with the Islamic Sharia principles.
- Maintaining the leading position of the Bank among Islamic banks in Iraq and providing the best services to customers.
- Expanding the monetary market as a contribution by us in supporting the monetary policy of the Central Bank of Iraq through the network of Bank's branches in all governorates of Iraq and supporting the national economy.
- Creating systems for investment dealings in all economic sectors, represented by Islamic financing forms (Murabaha, Musharakah, speculation, leasing...) and other types of financings for all activities.
- Commitment to (developmental, investment, and positive) attributes.

The Board of Directors

The Board of Directors of the Iraqi Islamic Bank consists of seven members. The member must hold at least (2000) shares to be a Board member, and must have financial and economic experience. The Board meetings are held regularly and urgent meetings are held if necessary, not less than (6) meetings annually.

The permanent members:

- 1 Mr. Ahmad Walid Ahmad / Chairman / Born in 1975, Bachelor of Financial and Banking Sciences / Extensive experience in managing financial companies and banking experience for more than 17 years.
- 2 Mr. Arkan Mahmoud Jawad / Vice Chairman / Born in 1972 Bachelor of Engineering / Extensive experience in project management.
- 3 Mr. Hammam Thamer Kathem Al-Attar / Managing Director (Member) / Born in (1981), Bachelor of Commercial and Banking Sciences / Extensive experience in banking for more than 16 years.
- 4 Mr. Abdulsalam Morad Jouai'ed / Member / Born in 1979, Bachelor of Law / Extensive experience in the legal field and in the field of corporate management
- 5 Mr. Ahmad Sa'ad Ghanim / Member / Born in 1979 / Bachelor of Business Administration / Extensive experience in companies management.
- 6 Mr. Ehassan Ali Kathem / Member / Born in 1979 / Bachelor of Engineering / Extensive experience in companies management.
- 7 Mr. Mofleh Aslan Mohammed / Member / Born in 1968 / Bachelor of Science / Extensive experience in companies management.

Alternate members:

- 1 Amer Abed Jawad
- 2 Laith Waseem Nathem
- 3 Naseef Jassim Mohammad
- 4 Ahmad Abdulsalam Ja'afar

Sharia Supervisory Board

The Sharia Supervisory Board makes sure that the Bank's business conforms to the provisions of Islamic Sharia:

1	Mr. Ahmad Abdul Karim Al-Ani	(Chairman of the Committee)
2	Mahmoud Jamal Mahmoud al-Qubaisi	(Representative of Sunni Waqf Board)
3	Ali Salem Ahmed Sayalah	(Representative of Sunni Waqf Board)
4	Sheikh Mohammed Abdul Ridha Jassim al-Saedi	(Representative of Shia Waqf Board)
5	Ibrahim Agha Ali al-Araji	(Representative of Shia Waqf Board)

Board of Directors Committees

The Bank's Board of Directors formed many permanent committees. They are:

First - Audit Committee:

1	Mr. Amer Abed Jawad Al-Jaza'eri	Chairman of the Committee
2	Mr. Naseef Jassim Mohammad	Member
3	Mr. Rami Fuad Salah Al-Hourani	Member
4	Mr. Aws Qais Saeed	Committee rapporteur

Second: Corporate Governance Committee:

1	Mr. Ahmad Walid Ahmad	Chairman of the Committee
2	Mr. Abdulsalam Murad Jwei'ed	Member
3	Mr. Mofleh Aslan Mohammed	Member
4	Mr. Mustafa Essa Abdul Rahman	Committee rapporteur

Third: Nominations and Incentives Committee:

1	Mr. Hamam Thamer Kathem	Chairman of the Committee
2	Mr. Ehssan Ali Kathim	Member
3	Mr. Mofleh Aslan Mohammed	Member
4	Mr. Ayman Fawzi Mohammed	Member
5	Ms. Nagham Mohammad Hadi	Member
6	Mr. Mazin Hashim Kathem	Committee rapporteur

Forth: Higher Fiduciary Committee:

1	Mr. Ahmad Walid Ahmad	Chairman of the Committee
2	Mr. Hamam Thamer Kathem	Member
3	Mr. Abdulsalam Morad Jouai'ed	Member
4	Mr. Osama Zaid Abdullah	Committee rapporteur

Fifth: Risk Management Committee:

1	Mr. Ahmad Sa'ad Ghanim Al-Sarraf	Chairman of the Committee
2	Mr. Hamam Thamer Kathem	Member
3	Mr. Abdulsalam Morad Jouai'ed	Member
4	Mr. Eyad Salem Ahmad	Member
5	Mr. Mustafa Jawad Malik	Member
6	Ms. Rawya Tawfiq Hameed	Committee rapporteur

Committees Formed by Executive Administration:

First: Investment Committee:

1	Mr. Hamam Thamer Kathem	Chairman of the Committee
2	Mr. Eyad Salem Ahmad	Member
3	Ms. Yaser Waleed Nayef	Member
4	Mr. Osama Zaid Abdallah	Committee rapporteur

Second: Information and Communications Technology Committee:

1	Mr. Eyad Salem Ahmad	Chairman of the Committee
2	Ms. Nagham Mohammed Hadi	Member
3	Ms. Anwar Kathem Be'awi	Member
4	Mr. Baheer Meqdad Kroum	Member
5	Ms. Roqaya Abdulrahman Sabri	Member
6	Ms. Ro'ua Hussien Fahad	Committee rapporteur

Third: Information and Communication Technology Committee:

1	Mr. Hamam Thamer Kathem	Chairman of the Committee
2	Mr. Eyad Salem Ahmad	Member
3	Mr. Aws Qais Saeed	Member
4	Mr. Mohammad Ahmad Abed al-Khalayleh	Member
5	Mr. Abdulfattah Zuhdi Abdulfattah	Member
6	Mr. Baheer Meqdad Kroum	Member
7	Mr. Mohammed Qasim Khalaf	Committee rapporteur





المصرف العراقي الإسلامي
لإستثمار والتنمية
IRAQI ISLAMIC BANK
For Investment & Development

WE WALK STEADILY

STEMMING FROM A HISTORY
FULL OF ACHIEVEMENT



☎ 078 02 800 999

www.iraqiislamicb.iq

[f](#) [t](#) [in](#) [v](#) Iraqislamicb

The Report of the Board of Directors on the Bank's activities for the year ended on 31 December 2020

Ladies and Gentlemen, the esteemed shareholders of the Bank,

Peace be upon you all,

Pursuant to the provisions of Articles (117) and (134) of the Company Law No. 21 of 1997 as amended, the Instructions of the Accounting System of the Companies No. (1) of 1998, the provisions of the Banking Act No. 94 of 2004, the Islamic Banking Law No. (43) of 2015, and the Instructions of the Iraqi Securities Commission,

We are pleased to present to you the 29th Annal Report on the Bank's activities, its final accounts for the fiscal year ended on 31/12/2020.

1st: About the Bank, its achievements, development plan & branches

1.1 The establishment of the bank

The Iraqi Islamic Bank for Investment and Development was founded under the certificate of incorporation No C. C./5011 dated 19/12/1992 issued by the Department of Registrar of Companies with a paid-up capital of (126,400) Thousand Dinar. The Bank commenced its works after obtaining the banking practicing license from the Central Bank of Iraq No. TS/9/4863 on 14/03/1993 and started its activities on 24/04/1993. The Bank's Memorandum of Association was amended by increasing its capital many times to reach (250) Billion Iraqi Dinars.

Below a table showing the developments on the Bank's capital since its establishment:

Year	Capital (Thousand Dinar)
1992-2000	126,400
2001-2002	252,800
2003	505,600
2004	6,067,200
2005	10,238,400
2006-2008	25,596,000
2009-2010	51,192,000
2011	102,384,000
2012	152,000,000
2013	202,000,000
2014-2020	250,000,000

The most important achievements of the Bank during 2020 and its future plan

1-2-1 The most important achievements of the Bank during 2020:

- Implementing the plans developed during 2019, the implementation of the digital bank project was initiated through phone applications, internet banking and browser services, which in its turn will enable the bank's customers to deal electronically in completing transactions according to the latest international technologies in order to shorten time and effort and in accordance with the instructions of the Central Bank of Iraq in organizing these services.
- Activating financing operations for the purpose of purchasing housing units within the initiative of (1) trillion Iraqi Dinars launched by the Central Bank of Iraq to expand the base of the segments benefiting from the initiative loans for employees whose salaries are transferred in investment housing complexes licensed by the National Investment Commission.
- Transferring the salaries of each of (the Ministries of Interior and Defense) employees after completing all requirements due to its importance.
- Signing an electronic portfolio's contract with Zain Cash for electronic payment services, through which the bank's customers can fill their electronic portfolio through their bank accounts.

- ❏ Linking prepaid cards in the mobile application for the purpose of strengthening the infrastructure for electronic payment, which enables holders of these cards to inquire about their accounts in addition to other services, where customers can use these services 24 hours a day by providing an electronic system to manage the charging and activating of these cards even during public holidays.
- ❏ Completing the auditing process for the re-donations of 2020 of international standards for information security and quality certificates and obtaining certificates.
- ❏ Completing the preparation of the gap analysis report on the governance of information technology and accompanying technology.
- ❏ Completing the preparation of the information technology governance manual and the accompanying technology to be uploaded on the Bank's official website on the Internet.
- ❏ Completing the study of the requirements of international standards for compliance with the ISO 37301 compliance management system to sign the audit contract for the certification process.
- ❏ Completing the requirements for ISO 22301 certification and preparing for the audit process for donations.
- ❏ The bank's approval of the general framework for the governance and management of information and the accompanying techniques that are compatible with the controls guide circulated by the Central Bank of Iraq to banks.
- ❏ Completing and approving a project management plan for governance and information and technology management accompanying it.
- ❏ Completion of the preparation and approval of a guide to governance and information management and the accompanying technology.



2-2-1 The Bank's development plan

- ❏ Modernizing banking systems and adding assistance and support systems to raise the level of efficiency of the bank's infrastructure, such as the (Human Resources Management) system and the electronic central management system.
- ❏ For the purpose of providing the best services to the bank's customers and stakeholders; plans have been developed to ensure the provision of salary distribution systems through the direct beneficiary, in addition to activating the credit office system.
- ❏ Completely shifting from the electronic payment service provider to another company in response to the current trends that all data is managed by Iraqi companies.
- ❏ Develop pioneering and ambitious plans to activate additional (credit) services through mobile phone electronic portfolio.
- ❏ Signing a contract to assess the risks related to security vulnerabilities on the systems and infrastructure in the bank with RAPID7 company, finalizing the extraction of relevant reports and starting the reporting process.
- ❏ Signing the contract for the external audit of the CSP system with the Compliance Path Company and starting the audit process to meet the requirements of the international SWIFT company.

The number of bank branches at the end of the year 2020 reached (15) branches operating inside the country, three of which are in Baghdad and twelve branches spread in the other governorates, according to the list below that shows the names and locations of the bank's branches:

Governorate	Branch name	No.	Address
Baghdad	Headquarter	721	Al-Mansour / 14 Ramdan Street, Home 608, Street 18, Building 67
Anbar	Ramadi	722	Al-Mustawda' Street/next to the post office/opposite to Al-Shamal
Baghdad	aHMansour	723	Bank
Baghdad	Karadah	724	Al-Mansour / Baghdad International Gallery
Najaf	Najaf	725	Karadah/ Home 905 / Lane 18 / Building 92 / next to Abu Afif
Nineveh	Mosul	726	Sweets
Basra	Basra	727	Building of Najaf Chamber of Commerce
Kirkuk	Kirkuk	728	Mosul / Muthana District / next to Al-Muthana Bridge
Anbar	Fallujah	729	Al-Ashar / Cornish Street / nest to Sheraton Hotel
Babel	Hillah	730	Mohafaza Street/ Ismael Darweesh Building / opposite to 1 June Bank
Al-Muthana	Samawah	731	Highway / opposite to Qaimqamia / next to Hmoud AHMahmoud
Al-Diwaniyah	Al Diwaniyah	732	Mosque
Salah Eddin	Tikrit	733	Street, next to Tahmaziyyeh Bridge 60
Erbil	Erbil	734	Al-Bani crossroad / next to Samawah amusement park
Sulaymaniyah	Sulaymaniyah	735	Umm al-Kheil / opposite to Al-Diwaniyah Hosting House



المصرف العراقي الإسلامي
للاستثمار والتنمية
IRAQI ISLAMIC BANK
For Investment & Development

WE GO TOGETHER..
TOWARDS A BRIGHT FUTURE

 078 02 800 999

www.iraqiislamicb.iq

    IraqIslamicb

2nd: Financial Indicators, financial position analysis, and activity results:

2-1 Total assets

The total assets at the end of the fiscal year 2020 amounted to (806) Billion Dinars, an increase of (24) Billion Dinars compared to (787) Billion Dinars in 2019.

2-2 Cash liquidity

It represents cash balances held in the Bank's branches and with the Central Bank of Iraq in addition to balances held with local banks and correspondent banks as shown in the notes attached to the financial position statement (note No. (1-B) and (2)). The statement below represents the cash account balances, as the cash balance in Hand and at the Central Bank decreased by 41%, while the percentage of cash at banks and other financial institutions increased by 138%:

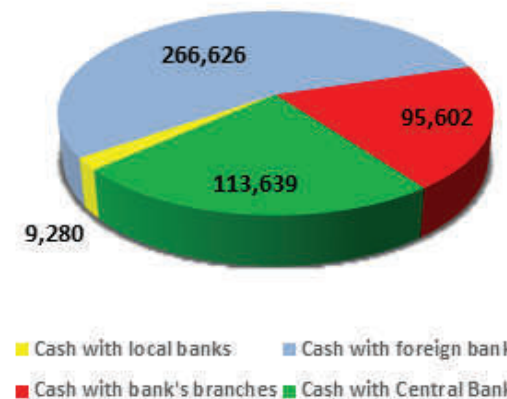
Analysis of Cash Account as in 2019/2020 (Million Dinars)

Description	31/12/2020		31/12/2019	
	Balance	Materiality %	Balance	Materiality %
Cash at the Bank's branches	95.602	20%	22.306	5%
Cash with the Central Bank of Iraq	113.639	23%	335.348	71%
Total	209.241	43%	357.654	76%
Cash with local banks	9.280	2%	3.199	0.6%
Cash with foreign banks	266.626	55%	112.381	23.4%
Total	275.906	57%	115.580	24%
Total cash	485.147	100%	473.234	100%

The below chart shows the classification of cash accounts and balances with the Central Bank of Iraq and banks at the end of the fiscal year 2020, noting that the restricted withdrawing cash balances are represented in the following accounts:

- 1 The legal reserve at the Central Bank of Iraq.
- 2 Balances with the Central Bank of Iraq in Erbil.
- 3 The balance of the letter of guarantee insurance reserve account with the Central Bank of Iraq.
- 4 Cash balances with safes of Bank's branches at a minimum of 5% of the deposit balance.

Classification of cash accounts and balances with the Central Bank of Iraq and Banks



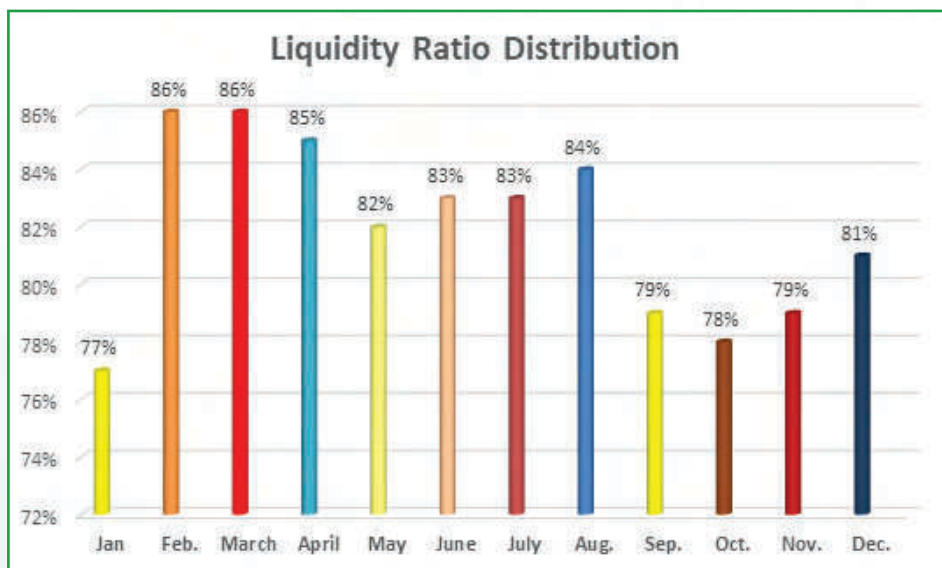
As for the foreign currency held in the Bank's safes, its balance amounted to (53.528) thousand US dollars at an exchange rate of (1460) dinars per US dollar. As for the cash balances with correspondent banks, they represent the transferred cash payable from the beneficiaries of credits and transfers in addition to the balances of the Bank.

Our Bank still maintains the level of cash liquidity that led to meeting the requirements of our customers for cash withdrawals from their account balances at any time and without any delay. Below is liquidity chart for the months of 2020, noting that the liquidity ratio of the Bank should not be less than 30% according to the instructions of the Central Bank of Iraq, and the Bank's policy was conservative towards maintaining liquidity according to the economic and political conditions in the region.

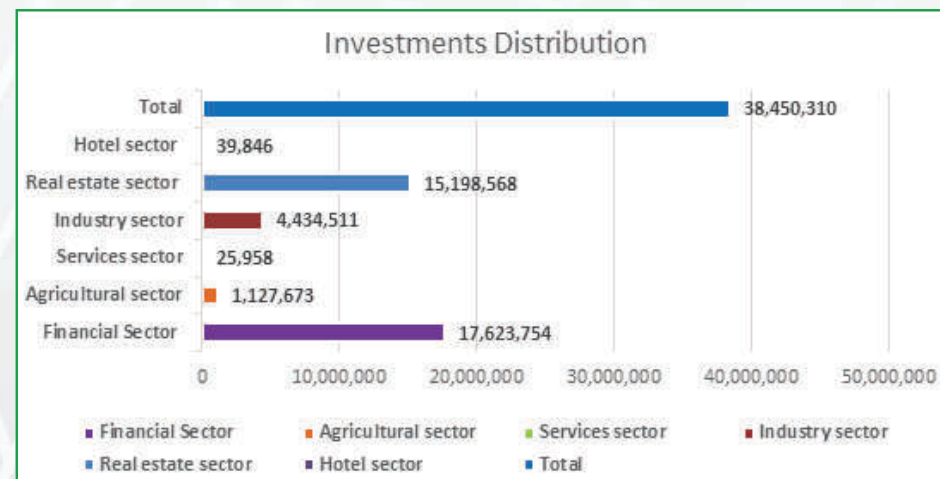
Month	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Liquidity ratio 30%	77%	86%	86%	85%	82%	83%	83%	84%	79%	78%	79%	81%
LCR 100%	218%	210%	183%	233%	210%	212%	210%	209%	199%	170%	153%	187%
net stable financing ratio			103%			102%			102%			104%

Note that the bank prepared liquidity ratio reports and the net stable funding ratio in accordance with the instructions of the Central Bank of Iraq, and that the minimum limits for these ratios are as shown below:

- 1 Liquidity coverage ratio (100%), which is prepared monthly.
- 2 The net stable funding ratio is (100%), and prepared quarterly.



Type of sector	Investment amount (Thousand Dinar)
Financial sector	17.623.754
Agricultural sector	1.127.673
Services sector	25.958
Industry sector	4.434.511
Real estate sector	15.198.568
Hotel sector	39.846
Total	38.450.310



2-3 Financial assets at the fair value through the other comprehensive income (Investments)

- Represented by companies' shares in the investment portfolio as on December 31, 2020. Their cost amounted to (38.450.310) thousand dinars.
- Within the investment balance, there are shares of companies not listed in the Iraq stock exchange in amount of (761.829) thousand dinars.
- The Bank contributed in real estate investments, and this percentage is within the permissible limits established by the Banking Law No. 94 of 2004, the maximum of which is 20% of the Bank's capital and its sound reserves.
- Investments in the Bank are distributed among several sectors as shown in the table below. The Bank is a member of the board of directors of both the Iraqi Company for the Production and Marketing of Meat and the Ready-to-wear Company and chairman of the board of directors of the Ready-to-wear Company.

2-4 Islamic financings, Net

- The balance of Islamic financings, after deducting the provision for cash credit risk reached (135) billion dinars, and the credit portfolio includes a diversity of the granted amounts as follows:
 - Murabaha (individuals):** (10%) of the granted credit.
 - Small and medium enterprises financing:** (7%) of the granted credit.
 - Murabaha (companies):** (83%) of the granted credit.
- The bank was able to contribute to the development of the local economy by financing small and medium enterprises with an amount of 12 billion Iraqi dinars during the year 2020 to increase job opportunities and employ manpower.

⊗ Economic sectors covered by financing:

- The industrial sector (factories, plants and workshops).
- The services sector (tourism).
- Health sector
- Education sector
- Commercial sector

⊗ Projects eligible for financing / able to repay the granted credit through real cash flows to determine the project's ability to pay the amount of financing and in the agreed installments.

⊗ All bank credits are granted in accordance with the provisions of Islamic Sharia.

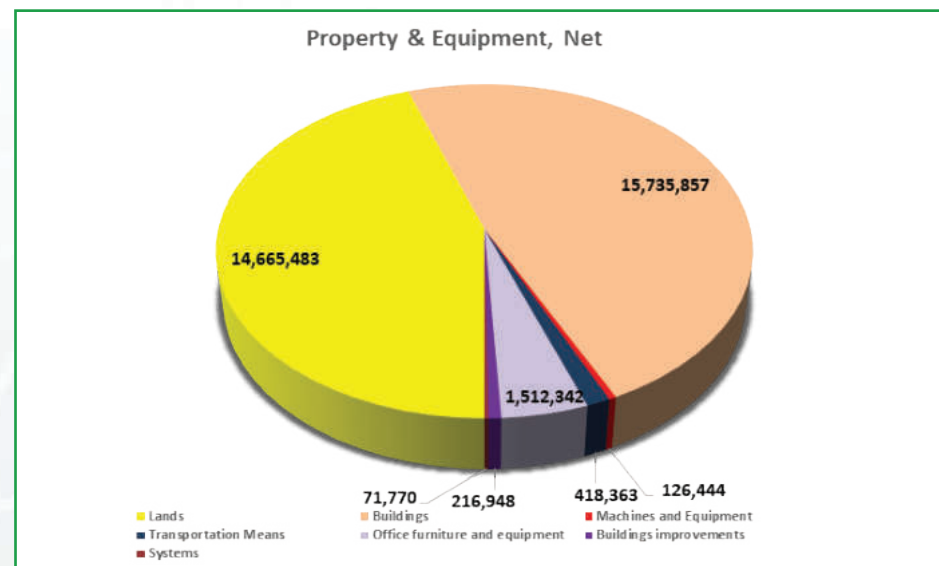
2-5 International Financial Reporting Standard No. 9 (Financial Instruments) (IFRS 9):

The International Accounting Standards Board issued the International Financial Reporting Standard No. 9 in its final form in July 2014 and is effective for annual periods beginning on or after January 2018, with early application permitted. The standard specifies the requirements for deviation and measurement of financial assets, financial liabilities and some contracts and the purchase or sale of non-financial assets. This standard replaces IAS 39 (financial instruments *recognition and measurement*). Based on the instructions of the Central Bank of Iraq, a committee was formed for the purpose of applying this standard, and the credit rating process was started and divided into portfolios for the purpose of measuring the risk of default. The required methodologies were prepared for this purpose. The Bank requested from the Central Bank of Iraq to postpone the application and to show the quantitative impact.

2-6 Property and equipment, net:

The net property and equipment account as of December 31, 2020 amounted to (32.747.207) thousand dinars as shown in the chart below, divided according to the distribution of fixed assets in the records. Buildings in progress balance reached (1.814.057) thousand dinar.

Depreciation is calculated monthly and registered in the records as the monthly realized profits which are the period profits.



Third: Results of Bank's branches activity:

The table below shows the results of the Bank's branches and Headquarter activity in 2020:

Branch		Activity result (Dinar)
Branches inside Baghdad	Headquarter	1,735,350,928
	Main branch	6,309,060,760
	Al-Mansour branch	510,471,965
	Karadabbranch	207,607,838
Branches outside Baghdad	Erbil branch	183,668,693
	Basra branch	6,138,873,121
	Diwanyiah branch	617,899,214
	Ramadi branch	18,467,259
	Mosul branch	312,053,387
	Najaf branch	156,912,034
	Samawah branch	550,866,445
	Hillah branch	644,054,919
	Kirkuk branch	102,515,117
	Fallujah branch	(13,952,096)
	Tikrit branch	368,490,005
	Sulaymaniyah branch	168,762,530
Total	18,011,102,119	

Fourth: Banking performance indicators

4-1 Liquidity and trading ratio

$$1- \text{Trading ratio} = \frac{\text{current assets}}{\text{current liabilities}} = \frac{492.855.617}{756.332.014} = 1.5 \text{ time}$$

$$2- \text{Banking liquidity ratio} = \frac{\text{net liquidity amounts}}{\text{total liabilities}} = \frac{399.794.408}{491.717.845} = 81\%$$

☒ Average liquidity, total deposits and current accounts were calculated in accordance with the instructions of the Central Bank of Iraq regarding extracting the banking liquidity ratio

$$1. \text{Liquidity coverage ratio (LCR)} = \frac{\text{Total high quality liquid assets}}{\text{net cash foreign outflow during 30 days}} = \frac{184.441}{344.783} = 187\%$$

$$2. \text{Net stable funding ratio (NSFR)} = \frac{\text{Amount of available stable funding}}{\text{total required stable funding}} = \frac{502.168}{481.409} = 104\%$$

Pursuant to the resolution of the Board of Directors of the Central Bank of Iraq 167 of 2016 regarding the approval of supervisory controls for risk management, the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) were applied as a proactive measure to know the liquidity of banks by adopting the ratios and indicators emanating from the decisions of the Basel 3 Committee for Banking Supervision. These ratios were applied as a pilot work for the year 2016 with the participation of bank employees in the courses held at the Central Bank of Iraq and the introduction of work with these ratios for the year 2017.

2-4 Operation ratios (Funds employment policies):

$$1. \text{Investments/total of deposits and current accounts} = \frac{38,450,310}{245,026,332} = 16\%$$

$$2. \text{Net cash credit / total deposits and current accounts} = \frac{135,782,792}{245,062,332} = 55\%$$

$$3. \text{Net cash credit / capital and reserves} = \frac{135,782,792}{287,636,354} = 47\%$$

3-4 Debit ratio

1. Debit ratio to assets	=	accounts receivable ** / total assets
	=	110.649.635 / 806.091.845
	=	14%
2. Debit ratio to capital and reserves	=	accounts receivable ** / capital and reserves
	=	110.6493.635 / 287.636.354
	=	38%

** Accounts receivable represent amounts owed by persons who have a financial relationship with the Bank, and do not include the amounts related to the settlement of benefits, advances or deferred expenses.

4-4 Activity cost ratio

1. Total operating expenses / total clients deposits and cash insurance	=	4.669.810 / 451.141.164
	=	1%
2. Staff cost / total expenses	=	4.706.907 / 14.521.318
	=	32%
3. Total operating expenses / total expenses	=	4.669.810 / 14.521.318
	=	32%
4. Total expenses / total revenues	=	14.521.318 / 32.532.420
	=	45%

4-5 Profitability ratios:

1. Earnings per share before tax	=	net profit before tax / number of IPOs
	=	18.011.102 / 250.000.000
	=	7%
2. Distributable profitability per share	=	net profit after tax / number of IPOs
	=	13.936.612 / 250.000.000
	=	6%
3. Number of times of share price in the market to the earnings per ordinary share (PE)	=	share price in the market ** / earnings per ordinary share
	=	0.380 / 0.056
	=	7

** The calculated hedges are in accordance with the prices of the Iraqi Stock Market as of December 31, 2020.

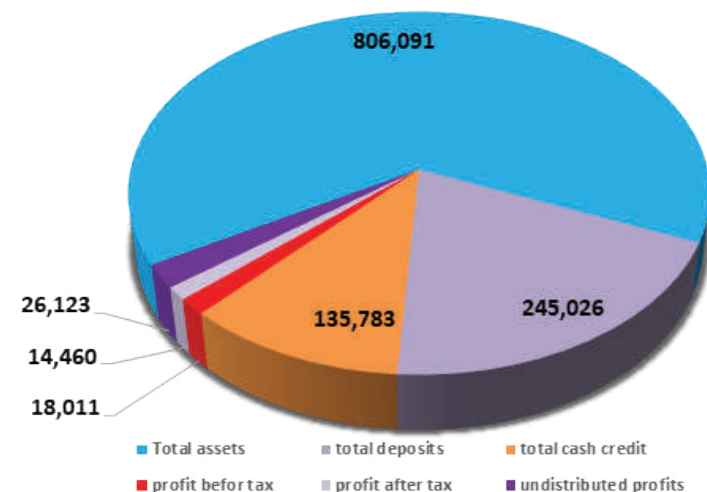
4-6 Risks ratios:

1. Capital adequacy ratio	=	total capital (core + paid up) / total net hazardous and weighted assets inside and outside the budget
	=	55%
2. Credit risks coverage ratio	=	credit provision / (cash credit + overdue debts)
	=	26.650.992 / 173.666.225
	=	15%

4-7 Most important indicators

Description	Years	
	2020 (Million dinar)	2019 (Million dinar)
Total assets	806,091	782,159
Total deposits	245,026	281,969
Islamic financing	135,783	190,528
Profit before tax and statutory reserve	18,011	14,541
Profit after tax and statutory reserve	14,460	11,336
Undistributed profits	26,123	13,554

Banking Performance Indicators





المصرف العراقي الإسلامي
للاستثمار والتنمية
IRAQI ISLAMIC BANK
For Investment & Development



SMART BANKING
SOLUTIONS
ACCOMPANIES YOU
EVERYWHERE

078 02 800 999

www.iraqiislamicb.iq

[f](#) [t](#) [in](#) [v](#) Iraqislamicb

Fifth: Detailed statements:

5-1 Commercial Services department

The Commercial Services Department handles the process of managing international banking relations through its services to the Bank's customers in the areas of opening letters of credit for the private and government sectors, as well as the outward and inward foreign transfers. In its foreign transactions, the Bank relies on a number of correspondents for Arab and foreign banks and always tries to expand the correspondents banks in the world to facilitate the implementation of foreign transactions procedures.

Below is a table detailing the correspondent banks that the Bank has dealt with abroad during the fiscal year 2020:

Bank Name	Country	City
IBL Bank	Beirut	Lebanon
Fransabank SAL	Beirut	Lebanon
Lebanon and Gulf Bank sal	Beirut	Lebanon
JORDAN COMMERCIAL BANK	Amman	Jordan
Jordan Kuwait Bank	Amman	Jordan
The Housing Bank for Trade & Finance (HBTF)	Amman	Jordan
Bank Al Etihad	Amman	Jordan
Capital Bank of Jordan	Amman	Jordan
Bank of Jordan plc	Amman	Jordan
Jordan Ahli Bank plc	Amman	Jordan
Safwa Islamic Bank	Amman	Jordan
Alubaf Arab International Bank BSC ©	Manama	Bahrain
Al Baraka Islamic Bank BSC ©	Manama	Bahrain
Crédit Libanais SAL	Manama	Bahrain
Union de Banques Arabes et Françaises-U.B.A.F.	Paris	France
Aktif Yatirim Bankasi AS	Istanbul	Turkey
Akbank TAS	Istanbul	Turkey
Albaraka Türk Katilim Bankasi AS	Istanbul	Turkey
Kuveyt Türk Katilim Bankasi AS	Istanbul	Turkey
Aresbank S.A.	Madrid	Spain
Commercial Bank International PJSC	Dubai	UAE
Arab African International Bank	Abu Dhabi	UAE
Abu Dhabi Islamic Bank	Abu Dhabi	UAE
Banque Misr SAE	Dubai	UAE
Abu Dhabi Commercial Bank PJSC	Abu Dhabi	UAE
SAUDI INVESTMENT BANK	Riyadh	Saudi Arabia
Banca UBAE SpA	Rome	Italy
IndusInd Bank Ltd, Mumbai, India	Mumbai	India
Axis Bank Limited	Mumbai	India
Axis Bank Limited	Shanghai	China

Axis Bank Limited	Singapore	Singapore
Axis Bank Limited	Hong Kong	Hong Kong
Axis Bank Limited	Colombo	Sri Lanka
Axis Bank Limited	Dubai	UAE
the United Bank	Cario	Egypt
ABC (Arab Banking Corporation B.S.C.)	New York	U.S.A.
ABC (Arab Banking Corporation B.S.C.)	Amman	Jordan
Türkiye Cumhuriyeti Ziraat Bankasi AS	Istanbul	Turkey
Qatar National Bank (QNB)	Duha	Qatar
State Bank of India	kalkata	India
ICICI Bank Ltd	Mumbai	India

5-2 Financial Department:

It organizes financial and accounting matters in the Bank, prepares reports and daily reviews of business, quarterly financial statements, daily reviews of financial movements in the Bank, prepares final accounts in accordance with international standards, the general budget and sub-budgets, supervises the monthly budgets of the branches and unifies them, prepares the bank's financial position data, makes monthly settlements and employee salaries, executes daily transaction restrictions in addition to the letters and correspondence with the Central Bank of Iraq and other parties and branches of the Bank, sends budgets and statistics required by the Central Bank of Iraq and other banks at the specified times, in addition to providing the senior management with the required data, and manages the Bank's relationship with the Central Bank of Iraq, external auditors, tax and social security departments.

5-3 Credit Department:

It has a responsibility to adhere to the controls and procedures of the credit policy, especially with regard to granted credit, study the provided guarantees, and to adhere to the procedures and controls established and approved by the Bank's Management to avoid the problems arising in the event of non-compliance.

Sixth: Disclosures of capital adequacy standard

6-1 Ratio of Capital adequacy

Capital adequacy is one of the tools used to identify the Bank's solvency and ability to bear potential losses. Setting practical and applied standards to measure the solvency of each bank and its banking integrity, relying in this on determining the size of capital and comparing it with the size of risky assets weighted by risk weights inside and outside the budget.

The capital adequacy ratio, as at the end of the fiscal year ending 2020, reached (55)% where related disclosures were prepared in accordance with the instructions of the Central Bank of Iraq and the instructions of the Basel International Committee, knowing that the percentage of the minimum capital requirements necessary to cover the credit, market and operation risks according to the standard method defined by the Central Bank of Iraq with favorite weights of the financial instruments that must not be less than 12%.

6-2 Types of risks faced by banks and the organizational structure of the risk management department:

Based on the interest in maintaining an acceptable risk environment, during the year 2020, the bank continued to follow a consistent approach in developing various risk management policies and methodologies in a way that keeps pace with developments and in line with international best practices and leads to mitigating the amount of exposure to risks and working within acceptable risk levels. The bank's tendency to expand its business requires permanently identifying, measuring and monitoring all aspects of the risks that it may face, as well as providing adequate controls and procedures to reduce these risks, in addition to the bank's continuation of its conservative approach by applying the best practices in risk management, which requires the need to put in place precautionary and conservative mechanisms to face the essential risks that the bank may be exposed to, represented by credit, market, operating risks, non-compliance with the provisions and principles of Islamic Sharia.

6-2-1 Organizational Structure



The Organizational Structure of the Risk Management Department

6-2-2 Credit risks

Credit risks are the potential losses resulting from the customer's inability to fulfill its obligations within the specified agreed conditions.

- 1 Evaluating each new product and activity with respect to the credit risks associated with it and deal with all aspects related to granting credit.
- 2 Monitoring the credit limits and the limits of the allowed facilities, and issuing the necessary reports to ensure that there are no excesses of the limits and controlling its quality.
- 3 Studying the risks of credit concentrations in financing activities and investments in specific geographic areas, or in a specific economic activity, or in financing instruments or products, or during the financing period.

6-2-3 Liquidity Risks

It is the risks related to the bank's inability to provide sufficient funding in the event of facing problems in cash flows and customers' obligations, as the bank is committed to using a set of measurement models approved by the Central Bank of Iraq to monitor its liquidity risks (liquidity coverage index, net stable funding, liquidity gap analysis under eligibility).

- 1 The risk management department evaluates and analyzes scenarios of stressful liquidity situations.
- 2 Manage a separate liquidity risks and review it periodically to ensure the extent of its implementation.

6-2-4 Market risks:

The Bank gives high priority on market risks. Where the bank uses appropriate models to monitor and measure changes through the use of different methods of sensitivity analysis and determination of the Risk and Value. Market risk management limits potential losses on existing obligations, which may result from unexpected variables in profits rates.

The Risk Management Department follows up on changes in currency exchange rates to ensure follow-up of the directives issued thereby and its impact on the activities and operations of the bank.

6-2-5 Operation risks:

The Bank adopted a Self-Assessment methodology for risks to identify all the risk surrounding the operations and activities, products and services bank and measured factors and assess the effectiveness of the controls present in the containment of these risks and the development of gaps regulatory process to address plans that could arise during these operations. The principle of continuous monitoring of risk factors, reporting on them, and taking appropriate measures was achieved. As well, the internal audit reports on the work units in the bank are also reviewed, and the observations related to operational risks are reflected on the risk file of each unit, in addition to the notes of the Internal Shari'a Control and Audit Department during its field visits to departments and branches and the use of (KPI) in determining the level of performance.

- 1 The Risk Management Department translates the operational risk regulation into specific means, treatments and procedures that can be applied and monitored.
- 2 The Risk Management Department prepares contingency plans and business continuity to ensure business continuity and reduce losses in the case of any work stoppage.
- 3 The Risk Management Department prepares an organizational list that represents a comprehensive framework for the various operational risks, which is supposed to provide a comprehensive vision of those risks, including the risks of losses resulting from inadequacy or failure of internal procedures, persons and systems, or resulting from external events.

6-2-6 Risks of not adhering to Islamic Sharia:

Which are damages that occur as a result of the Islamic financial institution's non-compliance with Shariah regulations and standards, which may lead to a negative impact on the reputation of the Islamic financial institution, loss of confidence of its customers, a decrease in its market share and financial losses.

procedures that have been taken:

- 1 Coordination with the Sharia Supervisory Board in examining the income arising from non-compliance with Sharia and submitting a detailed report containing the areas that could lead to the emergence of this income in order to delegate it.
- 2 Preparing a table on the risks of violating the Sharia and the decisions of the Sharia Supervisory Board for each instrument separately, and contributing to the perusal of all employees thereon to raise awareness of the provisions of Islamic sales and transactions.
- 3 Examining the risks of non-compliance with Sharia through the risk management department evaluating any new product after its approval by the Sharia Supervisory Board before the executive management starts offering it to customers.
- 4 The Risk Management Department documents the fatwas and decisions of the Sharia Supervisory Board and examines samples of financing contracts to discover the risks of non-compliance with Sharia.

6-2-7 Social and Environmental Risks

The instability of the political and economic situation in the region increases the risk of the bank's practice of its activities and may negatively affect its performance, which requires attention to these risks and the reflection of their impact on the level of the environment in which it operates, in terms of becoming characterized by complexity and instability, which requires taking the variables and preparing to confront them and absorb the impact of the social and environmental risks.

6-3 Risks weights inside the financial position:

Amounts to the nearest thousand dinars

No.	Assets	Credit	Preferred weight of the risk degree	Risky weighted assets
1.	Cash and coins in Iraqi currency	17.330.304	0	0
2.	Call account with the Central Bank of Iraq	86.749.379	0	0
3.	Legal coverage balance for deposits with the Central Bank of Iraq	22.271.556	0	0
4.	Banknotes in foreign currency	78.271.556	10%	7,827,156
5.	Shares in nominal value	32.072.322	10%	3,207,232
6.	Current debtor balances with banks operating in Iraq	9.182.386	20%	1,836,477
7.	debtor balances outside Iraq	226.626.508	20%	53,325,302
8.	Shares bought in the market value	7.877.989	50%	3,938,995
9.	Secured cash facilities to the private sector	181.396.251	50%	90,698,126
10.	Unsecured cash facilities to the private sector	75.716.267	100%	75,716,267
11.	Fixed assets after demotion of the accumulated depreciation	34.561.263	100%	34,561,263
12.	Other assets	16.068.356	100%	16,068,356
Total		828.094.176		287,179,174

Risks weights outside the financial position:

No.	Name of account	Credit of off balance sheet items	Guarantees credit	Guarantees-demoted pledges credit	Favorite weight of the risk degree	Off balance risky items (weighted)
1	Letters of credit for other sectors liability (private – mixed – cooperative)	348,774,264	169,649,409	179,124,855	20%	35,824,971
2	Guarantees (letters of credit) of all kinds	-	-	-	-	-
3	A- Responsibility of the private sector	186,379,373	27,906,133	158,473,240	100%	158,473,240
Total		535,153,637	197,555,542	337,598,095		194,298,211

6-4 Sharia Compliance and Compliance Control Department:

"Sharia compliance and compliance Control is the responsibility of every employee"

The Sharia Compliance and Compliance Control Department as defined by the Basel Committee (an independent function that identifies, evaluates, provides advice and guidance, monitors and reports on the risks of non-compliance in the bank that result from non-compliance with laws and regulations, and the resulting financial losses or reputational risks that the bank may suffer as a result of its failure to comply with applicable laws, regulations, codes of conduct, and sound standards and practices).

6-4-2 Compliance Department Organizational Structure

The Sharia Compliance and Compliance Control Department is an independent and objective department that operates in accordance with the policies and procedures established by the department and reports directly to the Board of Directors / Risk Committee. As it may not be entrusted with any executive tasks or responsibilities that conflict with the independence and objectivity of the department. This is due to the supervisory role it plays in ensuring that the Sharia and traditional bank complies with all relevant applicable laws and instructions.

6-4-3 The most important achievements of the Compliance Department for 2020:

Study, audit and update the policies and procedures of the departments in the bank to ensure their compliance with the instructions, laws and regulations by the Central Bank of Iraq and the supervisory authorities for 2020.

Update the policies and procedures of the Compliance Department, with the approval of the Board of Directors, with approval by the Companies Control Department.

Prepare quarterly and periodic reports according to deadlines and submitting them to the Central Bank of Iraq on a quarterly basis and to the Board of Directors through the Risk Committee on a monthly basis, which ensures the submission of suggestions and recommendations to improve the reality of work and reach the best practices in banking work.

Participation in the training courses held for liaison officers in the branches in cooperation with the Money Laundering and Terrorist Financing Reporting Department and the Risk Management Department.

6-5 Anti-money Laundering and Terrorist Financing Department (Financial Crime):

The directives of the Board of Directors in achieving the hopes and aspirations of shareholders in terms of profitability and competitiveness, taking into account the need to comply with all instructions and controls concerned with combating money laundering and terrorist financing operations where the Bank maintained its leadership position in this field while providing continuous support for all requirements (technical) to support and develop the Money Laundering and Terrorism Financing Reporting Section, which are:

- 1 The Board of Directors guarantees the independence of the Department through an organizational structure consistent with the Corporate Governance Manual issued by the Central Bank of Iraq under the management of a dedicated compliance officer for the supervisory work and without assigning any other executive duties with the provision of a staff that fits the size of branches and the customer base and the services provided to them in accordance with policies and procedures that keep abreast with the changes in their field of work.

- 2 Reporting any unusual or suspicious activity to the Iraqi Financial Intelligence Unit (Office of Combating Money Laundering and Terrorism Financing) with strict confidentiality and independence, relying on modern electronic systems to track unusual and suspicious transactions and apply the best international practices followed for this purpose.
- 3 Compliance with the US Foreign Account Tax Compliance Act (FATCA) through reports submitted to the US Internal Revenue Service (IRS) using the latest electronic systems for verification and reporting processes.
- 4 Supporting the liaison officers (for compliance and combating money laundering) in the branches in order to enable them to carry out their work in accordance with international best practices to achieve a balance between the speed and quality of the service provided and the security of the risks of non-compliance through the modernist programs.

5-6 Risks Management

The risk management, according to the risk management policy approved by the Board of Directors, is completely independent from the various activities of the bank and reports directly to the Board of Directors / Risk Management Committee in accordance with the Corporate Governance Manual issued by the Central Bank of Iraq, and it is not permissible to entrust the department with any tasks or executive responsibilities that conflict with its independence, and this is due to the supervisory role it plays within the bank.

In light of the competition and unstable conditions, the Iraqi Islamic Bank for Investment and Development continued to apply best practices in risk management by setting up precautionary mechanisms to confront the fundamental risks that the Bank may be exposed to by providing effective risk management in abreast with the current developments and in line with best international practices to reduce the exposure to risks and operating within acceptable risk levels.

6-6-1 Most important achievements of the Risks Management Department in 2020:

- 1 Monitoring the compliance of the bank's executive departments with the specified levels of acceptable risks.
- 2 Reviewing the risk management framework in the bank.
- 3 Developing methodologies for identifying, measuring and controlling types of risks.
- 4 Conducting stress status test scenarios to measure the bank's ability to withstand potential assumptions.
- 5 Working on preparing a business continuity plan and ensuring its effectiveness.
- 6 Preparing policies and procedures for implementing risk management controls in Islamic banks.

2-1 Total assets

The amounts are in thousands of dinars, and the percentages are given to the nearest tenth

Provision for risks	Balance for provision for risks as on 31/12/2020	Balance for provision for risks as on 31/12/2019	Change % (negative) positive
Provision for contractual obligations risks	6,773,173	3,346,652	102%
Provision for cash credit risks	26,650,992	22,344,704	19%
Provision for operating risks	984,250	974,505	1%
Provision for foreign currency fluctuations/credits	24,193,213	-	-

6-8 Reserves:

The amounts are in thousands of dinars, and the percentages are given to the nearest tenth

Reserves	Reserves balance as on 31/12/2020	Reserves balance as on 31/12/2019	Change % (negative) positive
Capital reserve (compulsory)	6,334,889	5,573,831	12%
General reserve	3,125	3,125	/
Expansion reserve	4,010,573	2,456,814	39%
Provision for replacing fixed assets	2,902,297	52,221	98%
Provision for change in fair value	148,946	429,297	-188%
Provision for bonus shares	70,864	70,864	/

6-9 Corporate Governance:

Our approach in applying the principles of corporate governance is based on a commitment to transparency. In this regard, we try to adopt the highest possible degrees of openness in the implementation of the work plan and its structures, in addition to relying on them in developing strategic plans and the Bank's plans.



المصرف العراقي الإسلامي
لِلإستثمار والتنمية
IRAQI ISLAMIC BANK
For Investment & Development



***GOLD IS WAITING
.. FOR YOU***

***GOLD BULLION AWARD
FOR INVESTMENT DEPOSITS***

 078 02 800 999

www.iraqiislamicb.iq

    [IraqiIslamicb](#)

Seventh: Land and real estate owned by the bank, and execution record:

7-1 Land and real estate owned by the bank:

Real estate description	Address	Year of ownership
Karada branch building	East Karada / Bataween	2010
Plot	East Bab / Bataween	2012
Plot	Manawi Pasha / Basra	2016
Plot + building	Hillah / Waisiya	2017
Samawah branch building	Umm al-Tloul / Samawah	2019
Kirkuk branch building	Sari Kahya / Kirkuk	2019
Plot	Jubeilah / Mosul	2019
Plot	Najaf Municipality Boundaries / Najaf	2019
Plot	Jazerah / Karbala	2019
Plot	Al Sulymanyah / Bakhtyary	2020
Plot + house	Al Anbar / Falouja	2020
Plot + house	Baghdad / Al Mansour / Princess St.	2020

7-2 Lands and real estate under construction

Governorate	Address	Real estate description
Karbala	Ramadan District – 61/32/3 Jazerah	Plot
	Ramadan District – 61/32/3 Jazerah	Plot
Falouja	Al Anbar – 1/177/9 M	Plot
Mosul	(432/2) Al-Muthana District	Plot

Eight: Shareholders section

8-1 Major shareholders in the Bank

No.	Shareholder Name	contribution in share capital %
1	Abdulsalam Murad Jwe'ed Nahith	9.81%
2	Fooz Al-Khalig for electronic trading and general trading Company	9.71%
3	Mohammad Waleed Ahmad Saeed	9.61%
4	Walid Ahmad Saied Ali	9.61%
5	Wasan Walid Ahmad Saied	9.56%
6	Rajiha Abduljabbar Ahmad Mashhadani	9.46%
7	Al-Jarar Real Estate Investments Company	9.20%
8	Manafith Al-Estithmare for trading and general contracting	6.63%
9	Modern Cities Company for General Contracting and Investment	6.00%
10	Mustafa Hussein Mohammad Ali Al-Mufti	4.93%

8-2 Percentages of distribution of shareholders

Number of shares owned	Percentages of the number of shareholders		Percentages of the equity	
	Number of shareholders	Percentage	Number of shares	Percentage
1- 1.000.000	1237	66.36 %	265,325,067	0.11 %
1.000.001-10.000.000	500	26.83 %	1,550,340,757	0.62 %
10.000.001-100.000.000	94	5.04 %	2,867,236,220	1.15 %
100.000.001-1.000.000.000	16	0.86 %	4,414,216,082	1.76 %
1.000.000.001 and more	17	0.91 %	240,902,881,874	96.36 %
Total	1864	100 %	250,000,000,000	100 %

Ninth: Board of Director Meetings

The Bank's Board of Directors held ten meetings in 2020, with the attendance of all members. The most important decisions issued by the Board of Directors were:

- 1 The general framework of the corporate governance and management guide for information and communication technology for our bank.
- 2 Governance Project Management Plan, Information Management and Associated Technology (COBIT5).
- 3 Anti-money laundering and terrorist financing policies and procedures for stored value cards.
- 4 Risk Management Procedures Guide of non-compliance with the provisions and principles of Islamic Sharia.
- 5 Operational risk strategy for the branches and working thereon.
- 6 Sharia Compliance and Compliance Department Policies and Procedures.
- 7 Policies and procedures of the Sharia Supervision and Internal Audit Department.
- 8 Treasury and Investment Department policies and procedures.
- 9 Financial Department's policies and procedures.
- 10 Information security and business continuity department policies and procedures.
- 11 Swift Division policies and procedures.
- 12 Information technology department policies and procedures.
- 13 Board secretariat policies and procedures.
- 14 HR policies and procedures.
- 15 Approval of the salary scale.
- 16 Job replacement policy.
- 17 Updated code of professional conduct.
- 18 Updating the powers and authorities of the Board of Directors and the Executive Management.
- 19 Purchasing a property in the Mansour area to become the headquarters of the executive management and the board of directors.
- 20 Risk management procedures in accordance with risk management controls in Islamic banks.
- 21 The charter of the board of directors, the policies of the board of directors and the executive management.

Ninth: Board of Director Meetings

1-10: Audit Committee: The number of meetings of the Audit Committee for the year 2020 reached (8) and the most important decisions issued thereby were:

- A Ratification of the charter of the Sharia Control and Audit Committee.
- B Approval of the planning budget.
- C Approval of the Sharia control and audit plan.
- D Approval of the bank's departments' policies and procedures.
- E Continuous follow-up with the external auditor.
- F Discussing the salary scale for bank employees.
- G Approval of the charter of the Board of Directors and the policies of the executive management and the Board of Directors.
- H Discussing the reports of the Sharia Supervision and Audit Department and following up on the completion of the annual plan.

10-2 Risk Management Committee:

(13 meetings) were held during the year 2020 and divided into (quarterly meetings, extraordinary meetings, monthly meetings), and among the most important decisions that were directed to the departments to work accordingly:

- A Approval of the procedures of the anti-corruption program prepared by the Anti-Money Laundering and Terrorist Financing Department and approved in the extraordinary minutes held on Thursday 12/06/2020, which include the main elements of the anti-corruption program and the assessment of corruption risks.
- B Approval of risk management procedures in accordance with risk management controls in Islamic banks, which were prepared in cooperation with Iraqna Consulting and Training Company.
- C Approval of the operational risks strategy for the branches prepared in accordance with the risk management controls in Islamic banks and the decisions of the Basel Committee, in order to work accordingly in evaluating the risks of the branches in light of these current circumstances.
- D Approval of the procedures of the Correspondence Transparency Program, as well as the procedures of mediation deposit, and they were approved by the Sharia Compliance Department.

10-3 Nominations and Incentives Committee:

The number of meetings of the Nomination and Incentives Committee for the year 2020 reached (5 meetings), and the most important decisions issued by it were:

- A Appointing Mr. Rami Al Hourani as a financial advisor to the bank.
- B Preparing a new salary scale.
- C Updating the code of professional conduct.
- D Adopting the report on job replacement.

10-4 Higher Credit Committee:

(11 meetings) were held for the Higher Credit Committee. Among the most important decisions that were taken during the year 2020 were:

- A Granting cash facilities to the International Telecommunication Company.
- B Issuing credits for the Basra Governorate Office.

10-5 Corporate Governance Committee:

The number of meetings of the Corporate Governance Committee for the year 2020 (only two meetings), and the most important decisions that have been taken were:

- A Approval of updating the corporate governance manual of the bank.
- B Reviewing and approving the updating of the charters of the committees of the Board of Directors and the Executive Management.
- C Approval of the inclusion of sustainable development standards in the corporate governance manual of the bank and adding it as an appendix to the manual.

Eleventh: General Assembly

- 1 Appointing Mr. Ala' Eddin Mozher Abed Jassim Al-Khamasi instead of Mr. Mohammad Abdul Sattar, a member of the Sharia Board of the Bank.
- 2 Amending and approving the Articles of Association of the Bank.
- 3 Approvals to open new branches and offices at or near the service departments of the state in all Iraqi governorates in line with the Bank's expansion plan.

11-2 Benefits with related parties

There are no benefits with parties relevant to the senior management of the Bank whether with regard to conclusion of contracts and agreements or granting them credit during the financial year 2019.

11-3 The Bank's social and humanitarian contributions for the year 2020:

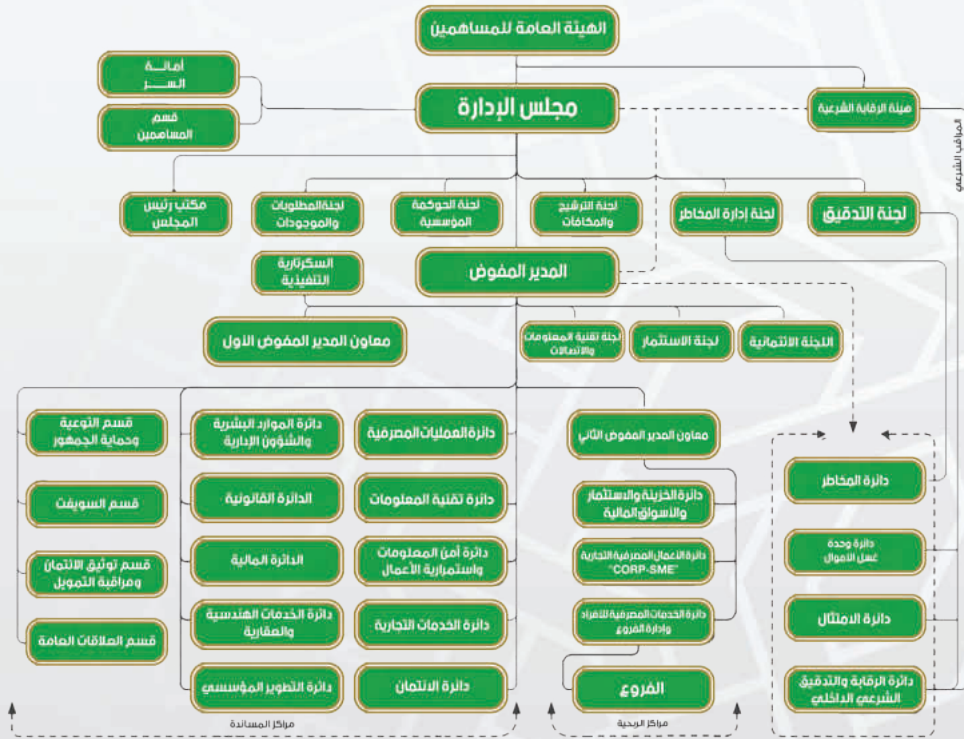
The social and humanitarian contributions are considered one of the basic activities that the Bank pays great attention to through contributing and participating in various programs and projects, and proceeding from the belief in the social support of the individual, society, institutions and the state to achieve a better future.

No	Donee	Amount of donation/ Iraqi Dinar
1	The initiative of supporting social and humanitarian activities	72,000,000
2	The Ministry of Health to confront the Covid-19	100,000,000
3	Solidarity Fund / Corona	50,000,000
4	For the favor of Basra Governorate	100,000,000
5	Internally displaced person's camp	7,500,000
	Total	329,500,000

Twelfth: Salaries and wages:

The number of the Bank's employees in 2020 was (319) employee, and the total wages and provisions paid to them reached (4.706.907) thousand Dinar including the Bank's contribution in the social security totaled (313.765) thousand Dinars.

Thirteenth: The Organizational Structure 2020



Fourteenth: Training Courses

In the context of developing the bank's various cadres in a way that contributes to achieving the objectives set for the Bank in accordance with best practices and promoting a culture of continuous learning and development.

The table below shows the most important courses and conference in which the Bank's employees or the senior management participated:

No.	Place of course	Number of courses
1	Central Bank of Iraq	47
2	Iraqi Private Banks league	8
3	Other Institutions	8
4	Internal Courses	5
	Total training courses	68

Fifteenth: Human Resources

The human resources is the driving force for all businesses, as it is considered the basis through which to achieve the developed goals and objectives. It is necessary to exploit these human energies and strive to develop their own skills in addition to the effective planning of the performance of employees to obtain the best productivity level and enhance the culture of achievement and high performance and create a motivating work environment for all employees and ensuring the provision of all services in accordance with the standards of quality, transparency and efficiency in order to develop the Bank's leadership and create a new generation capable of advancing the Bank and upgrading it under competitive conditions.

Below is a statement that shows the educational attainment of the staff of the Iraqi Islamic Bank:

Classification of employees according to educational attainment for the fiscal year 2020

Educational attainment	Number
Master	7
Bachelor	199
Diploma	48
High School and below	75
The Total	329

Sixteenth: Legal Department

The legal department is one of the major departments of the Bank. It undertakes the duties and tasks assigned to it. The Department's achievements during the year 2020 are summarized as follow:

- 1 Giving opinions and legal advice related to the various activities of the Bank and its relationship with Iraqi and foreign governmental and non-governmental agencies, answering all legal advice to the Bank's departments and branches, and giving legal opinion thereon.
- 2 Representing the Bank before all civil and criminal courts, instituting and pleading in lawsuits, taking legal measures to obtain the Bank's rights from debtors, following up on the implementation of judgment decisions with the competent enforcement departments, checking with relevant departments in Baghdad and the governorates to take legal measures regarding the claim for compensation for damages incurred by the Bank, following up on cases filed by others against the Bank, pleading and defending the Bank's rights.
- 3 Follow-up on properties of the Bank and leased to others, following up on the collection of their rentals, serving notices to lessees who fail to pay rentals, and instituting claims as regards these properties to demand their evacuation and payment of their rentals in case the lessees fail to fulfill their contractual obligations.
- 4 Organizing and auditing all contracts to which the Bank is a party, including contracts related to the Bank's commercial activities, as well as lease contracts of the Bank's branches, sales and purchase contracts of properties that the Bank wished to purchase, appear before competent real estate registration department to complete its transactions, as well as security companies contracts and companies that safeguarding the headquarter building and other branches, as well as cash transporting contracts and all other contracts related to the Bank.
- 5 Follow-up on the mortgaged real estate for the benefit of the Bank and the renewal of mortgage bonds with the competent real estate registration departments in Baghdad and the governorates, and take legal measures to seize these properties and sell them to obtain the Bank's rights.
- 6 Checking the validity of the customer's signatures regarding opening bank accounts referred to it by the Bank's branches, auditing letters of guarantee contracts, banking facilities contracts, Murabaha and participations contracts referred to it from the Credit Department and the Letters of Guarantee Section, giving the legal opinion thereon and on the guarantees provided by the clients to ensure the Bank's rights.

- 7 Taking legal measures to place mortgage on the clients' real estate in favor of the Bank that guarantees the banking facilities granted to the Bank's clients and making legal recommendations in the transactions related to releasing the mortgage of those real estate after the clients' payment of their liabilities to the Bank.
- 8 The participation of the Legal Department in the chairmanship and membership of the various committees formed by the Bank's senior management, which are related to the Bank's various administrative and commercial activities.
- 9 Following up on the Bank's lawyers in the governorates and directing them regarding instituting civil and criminal lawsuits, following up on the cases filed by others against the Bank for the purpose of preserving the Bank's rights and giving them legal directions to carry out their work.

Through the annual inventory of the lawsuits filed in 2020, it was found that the number of lawsuits filed by the Bank against others reached (73) lawsuits, and the number of completed lawsuits in favor of the Bank reached (55) lawsuits, and (18) lawsuits are in process transferred to 2021. The number of lawsuits filed by others against the Bank reached (12) lawsuits, (6) lawsuits has been completed and (6) are in judging process.

Seventeenth: Accounting Policy

The Bank prepared the statements in accordance with the directives of the Central Bank of Iraq according to the international accounting standards, where the statements were presented in comparison with the previous year after applying the financing procedures. The historical cost principle was applied in establishing the values of property, buildings and equipment and the depreciation was calculated on the (straight line basis).



Eighteenth: Disclosing the possibilities of emergency and important events:

- There are no possibilities of emergency and not important events that have negative effects on the financial position of the Bank until the date of publication of this report.
- The Coronavirus (Covid-19) is one of the most prominent events that have affected the global economy and this effect applies to the banking sector, which will face defaults and non-payment from some clients and change plans for expansion and other future plans and policies, which will negatively affect the volume of activity and the profits.

Asking Allah to bless these efforts exerted in the services of this Islamic institution.
Peace and God's mercy and blessings be upon you.

Managing Director
Hamam Thamer Kathem



Chairman of the
Board of Directors
Ahmad Walid Ahmad

In the name of Allah most merciful most gracious

Praise be to Allah and peace and blessings be upon the Prophet Muhammad and his family and companions

The Annual Report of the Fatwa and Sharia Supervisory Board of the Bank of the Iraqi Islamic Bank for Investment and Development for 2020

To / Shareholders of Iraqi Islamic Bank for Investment & Development

Peace be upon you,

According to the assignment letter from the General Assembly to appoint the Fatwa and Sharia Supervisory Board of the Iraqi Islamic Bank and based on what was stated in the annual report and the final statements for the fiscal year ending on 31/12/2020.

We must submit the following report:

- We have monitored the principles used and the contracts related to the transactions and applications put forward by the banking institution for the year ending on 31/12/2020, and we have done due monitoring to express an opinion on whether the institution has complied with the provisions and principles of Islamic Sharia in its banking transactions and services. Our monitoring of the company's operations and in preparing a report for you.
- We carried out our monitoring which included examining the documentation and procedures followed by the organization on the basis of testing each type of process.
- We have planned and carried out our monitoring in order to obtain all information and interpretations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the Corporation has not violated the provisions and principles of Islamic Sharia.

In Our Opinion:

- Regarding the contracts, operations and transactions concluded by the bank during the year ending on 31/12/2020, we have reviewed samples of them, and they are, as it appears to us, made in accordance with the provisions and principles of Islamic Sharia.
- Regarding the distribution of profits and the bearing of losses, we have reviewed samples of them, and they are, as it appears to us, made in accordance with the provisions and principles of Islamic Sharia.
- We did not received a statement explains the gains made from sources or methods prohibited by the institution for violating the provisions and principles of Islamic Sharia.

Mohammed Abdel Ridha Jasim
(Member)

Ibrahim Agha Ali
Member

Ali Salim Ahmad
Member

Mahmoud Jamal Mahmoud
Executive Member of the Sharia Supervisory Board

Ahmad Abdul Kareem Abdul Rahman
Chairman of the Sharia Supervisory Board

Report of the Audit Committee (Audit Committee) for the Fiscal Year Ending 2020

In accordance with Article (24) of the Banking Law No.(94) of 2004, and in reference to the Modern Audit Committee Charter issued by the Central Bank of Iraq in July 2017. The committee held eight meetings during the year ending 2020 in light of the repercussions of the Corona pandemic (Covid-19), and the following was accomplished

- 1 The committee reviewed the charter of the Board of Directors, the charter of internal control and the policies and procedures of the executive management and recommended their approval, and this was done, as well as guidance on preparing the strategic plan for the period from 2021 to 2023.
- 2 The committee discussed the new salary scale and it was approved.
- 3 The committee met with the external auditor and discussed matters to resolve all problems to facilitate the work of the auditor and prepare the final accounts on time.
- 4 Reviewed the internal control system and its effectiveness and efficiency, as well as the Bank's compliance with the laws, regulations and instructions governing its work.
- 5 Period review and discussion of the control and internal sharia auditing reports, give comments and guidance to remedy and follow up corrections.
- 6 Discussion and following up the speculative budget for the year 2021 submitted by the Budget Preparation Committee, give comments and guidance to approve it.
- 7 Follow up the application of the International Accounting Standard No. (9) regarding the provision for doubtful debts after conducting comprehensive review for the debts and requesting to prepare credit tables and classify them into good, doubtful, and irrecoverable (bad) debts.
- 8 Follow up the procedures with the Legal Department concerning the collection of the overdue debts.
- 9 Discuss and approve the action plan of the Control and Internal Sharia Auditing Department, give comments and guide thereon to approve it.
- 10 Review the reports associated with the risks, their management and evaluation, define the steps to be taken by the Executive Management to control such risks.
- 11 Apply the corporate governance, compliance with transparency, and adopt the highest levels of interests in the implementation of the operating and strategic action plans.
- 12 The activity of the bank is in a state of continuous growth during the mentioned period compared previous period, which is the responsibility of the Committee with a greater effort than previous years, especially in light of the expansion of its functions by the Central Bank of Iraq.

Dr. Nasif Jassim Al-Jbouri
Member

Rami Fuad Al Hourani
Member

Amer Abed Jawad Al-Jazaeri
Chairman of the Committee

Your safe way for digital transformation





المصرف العراقي الإسلامي
للاستثمار والتنمية
IRAQI ISLAMIC BANK
For Investment & Development



**OUR MOBILE
BRANCH VANS
AT YOUR SERVICE**



078 02 800 999
www.iraqiislamicb.iq
IraqiIslamicb

Dr. Haseeb Kadhim Jwaid Al-Mayah
Certified Auditor
Member, Iraqi Association of Certified
Accountants

Mr. Mahmoud Rashid Ibrahim Al-Fahad
Certified Auditor
Member, Iraqi Association of Certified
Accountants

Ref.: 125/297/2021
Date: 05/06/2021

To: Shareholders of Iraqi Islamic Bank for Investment & Development (Private Shareholding Company)

Re: Auditor's Report

Greeting,

Kindly be informed that we have audited the financial position of the Iraqi Islamic Bank for Investment & Development (Private Shareholding Company – Baghdad) as at 31 December 2020, which comprise the statement of the comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, the notes Nos. (1 to 27), the annual reports of the Bank's Management prepared in accordance with the provisions of the Company Law No. (21) for the year 1997, as amended, and the regulations and instructions issued thereunder, the Banking Law No. (94) for the year 2004, and the Islamic Banking Law No. (43) for the year 2015, in accordance with the recognized local and international auditing standards.

We obtained the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit in accordance with the applicable regulations and recognized auditing procedures, including the tests necessary to the activities of the Bank within our specialty.

Management's Responsibility

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing and implementing internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The Management's responsibility also includes testing and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a neutral technical opinion on the financial statements provided to us in accordance with the local and international auditing standards and evidences. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial position and the other final accounts of the fiscal year ended on 31 December 2020, as well as evaluating the accounting principles adopted by the Management.

We believe that our auditing provides reasonable basic for our opinion on the auditing. We have the following notes and comments:

1. Application of the International Accounting Standards, and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) Standards:
 - A. The Iraqi Islamic Bank for Investment & Development applied the International Accounting Standard for the fifth year in row. Regarding the Islamic financing tools, the relative standards were applied in accordance with AAOIFI standards contained in the letter of the Central Bank of Iraq No. 9/3/289 dated 1/8/2018.
 - B. The Bank did not take the procedures of applying the International Accounting Standard No. (36) (Impairment of Nonfinancial Assets).
 - C. International Financial Reporting Standard (IFRS) No. (9):
 - A committee was formed to apply the said standard under the Administrative Order No. 761 dated 19/12/2019 comprising of the Assistant of the Managing Director and a number of the directors of concerned departments.
 - Under the Letter of the Iraqi Islamic Bank No. (5193) dated 12/7/2020, a draft methodology of applying the said standard was sent to the Central Bank of Iraq under which the Bank requested to define the quantitative impact of applying the standard up to the mid of the next year (2021) and we were provided by a copy of the said methodology.
 - Under their Letter No. (9/6/9173) dated 26/7/2020, the Central Bank of Iraq required the Bank to provide them with the comprehensive quantitative impact based on the said methodology to consider the Bank's request to extend the quantitative impact to the next year.
 - We did not have access to calculation of the quantitative impact of applying the said standard, therefore we could not audit the correctness of calculating the required provisions of Financial Reporting Standard (IFRS) No. (9).
2. Cash
 - A. The exchange rate of 1460 Iraqi dinars per US dollar was approved for the purpose of evaluation at the end of the year
 - B. The cash on hand and with banks totaled 209.241 Million Dinars on 31 December 2020 compared to 357.654 Million Dinars on 31 December 2019, i.e., an decrease of 148.413 Million Dinars which equal 41% decrease.
 - C. The balances of deposits with banks and other financial institutions at the date of the financial statements amounted to (275.906) million dinars, compared to (115.579) million dinars for the previous year, an increase of (160.327) million dinars, i.e. 138.% increase.
 - D. In matching cash balances with foreign banks, the bank relied on the SWIFT issued by those banks and the incoming balance confirmation letters, despite the bank's request to all banks to send balance confirmation letters from external banks
 - E. Balances with correspondent banks amounted to (248.137) million dinars after deducting 50% of the balance of documentary credits. Thus, the percentage of cash with foreign banks represents 33% of the capital and sound reserves.
 - F. It was noted that there are cash balances with some lagging banks, as follows:

Warka Bank	5.000 Million Dinar
United Bank for Investment	1.579 Million Dinar

We recommend a provision for expected credit losses

3. Investments

The balance of investments on the date of the financial statements amounted to (38.450) million dinars, compared to (10.234) million dinars for the previous year. This balance represents the following:

- A- Financial assets at fair value through other comprehensive income (6.377) million dinars.
- B- Long-term investments in the financial sector (outside Iraq) (16.873) million dinars
- C- Land investment: The land investment balance represents the amount paid for the purchase of (1100) a plot of land from the Sunni Endowment (Waqf) Bureau - Kirkuk according to the contract signed on May 26, 2019. The land was not registered in the name of the bank according to the terms of the contract, in addition to an investment in a usufruct building contract.

4. Islamic Financings

- A. The balance of Islamic finance on December 31, 2020 amounted to 249.607 million dinars, of which 433.162 million dinars were Murabaha, 75.942 million dinars were due Murabaha, and 11.232 million dinars were for overdue Murabaha) compared to 212.872 million dinars on 31 December 2019 with an increase of (36.180) million dinars
- B. The Islamic financings totaled (26.650) Million Dinars compared to (22.344) Million Dinars at the previous year with an increase of (4.306) Million Dinars.
- C. The contributions classification amounting to (132.520) million dinars on December 31 was changed to the Murabaha account.
- D. An amount of (2.915) million dinars was amortized on the debts of a group of customers, and the amortization was reversed from the provision for cash credit risk / Islamic financing during the year under audit. We recommend obtaining the approval of the General Assembly for amortization.
- E. The total credits granted to the largest (20) borrowers amounted to (65.449) million dinars, which represents 26% of the amount of the Murabahas granted during the year under audit, bearing in mind that the guarantees obtained are for (3) Murabahas, of which only (a real estate mortgage) and the remaining guarantee is a check and promissory note.
- F. Most guarantees are still in form of (note, promissory note, guarantee) in spite the Bank obtained real estate guarantees for the Islamic financings. We recommend to keep obtaining real estate's guarantees.
- G. The Islamic financings revenues totaled (4.228) Million Dinars on the date of the financial statements compared to (4.246) Million Dinars in the last year, a decrease of (18) Million Dinars.
- H. There are still outstanding balances within Islamic finance. The due installments for non-performing Murabaha amounted to 54.842 million dinars, due to non-received Murabaha installments 21.099 million dinars, and 3.206 million dinars to non-performing Murabaha,

more than one year has passed since its due date. We recommend working to take the necessary measures to collect it, which is an indication of a weakness in the credit department's procedures to collect the amounts due.

- I. The ratio of Islamic finance to deposits amounted to 55%.

5. Contractual credit

- A. The contractual credit balance on the date of financial statements totaled (474.841) Million Dinars compared to (450.117) Million Dinars in the previous year as detailed below:

Description	Million Dinar 2020	Million Dinar 2019	Increase Thousand Dinar
Guarantee letters	179.245	213.586	34.341 (decrease)
Letters of credit	295.595	236.531	59.064 increase
T total	474.841	450.117	24.723 increase

- B. The provisions rate of guarantee letters to the total issued letters of credit amounted 16%.
- C. The provisions rate of the letters of credit to the total issued letters of credit amounted 56%.
- D. The balance of contractual credit provision on December 31, 2020 amounted to (6.773) million dinars, compared to (3.346) million dinars on December 31, 2019. The provisions paragraph in this field is noted in (Note 4-c).
- E. The balance of credits at the date of the financial statements amounted to (295.595) million dinars, compared to (236.531) million dinars for the previous year, an increase of (59.064) million dinars, while the balance of documentary credits insurances on the date of the financial statements amounted to (165.172) million dinars, compared to (169.753) million dinars for the previous year, i.e. a decrease of (4.581) million dinars
- F. The total of the largest (10) letters of guarantee issued amounted to (66.072) million dinars, which represents 35% of the total amount of letters of guarantee issued, and that the guarantees obtained for all these letters are a check and a bill of exchange except for one letter.

6. Accounts receivable (Other assets)

- A. There are payable receivable more than the previous year with increase as detailed below:

Description	Balance as on 31/12/2020 Million Dinar	Balance as on 31/12/2019 Million Dinar	Increase / Million Dinar
Paid guarantee letters receivables	4.295	3.619	676
Non-operating profit	3.207	1.139	2.068

sharings (Murabahat)			
Overdue receivables	11.232	15.881	(4.649) decrease
Total	18.734	20.639	(1.905) decrease

7. Provisions:

Below is a table of the allocations calculated by the bank and the corresponding allocations to be calculated according to Instructions No. 4 of 2010

Provision's Type	Calculated provision 31/12/2020 Million Dinar	The provision to be calculated under instructions No. 4 of 2010 is one million dinars
Provision for expected credit losses (Islamic cash financing)	26.650	131.032
Provision for expected credit losses (contractual credit)	6.773	6.751

8. Usufruct contracts

- A. There is usufruct contract No. 15/13 Haj Fathi Baghdad / Rusafa, signed between the Bank and the Sunni Endowment (Waqf) Funds Investment Authority on 22/05/2005 for fifteen years. The term of the usufruct contract expires on 22/5/2020. At the end of the contract term, a loss of (1.376) million dinars resulted, which was supposed to be charged to the profit and loss account.
- B. A new contract was signed for five years at an annual rent of (110) million dinars, starting from 22/2/2020. The loss referred to in (a) above has been added to the new usufruct cost instead of charging it to the profit and loss account.

9. Bank's Activity Result:

9-A Below are details of the bank's activities compared to the previous year:

Description	2020 Thousand Dinar	2019 Thousand Dinar	Change Thousand Dinar	Change % Increase (Decrease)
Operation revenues:				
Net income from (Murabahat, speculations, contributions and other Islamic financing)	4.228.680	4.246.947	(18.267) Decrease	0.4 %
Revenue of Investment/Islamic certificates & deposits and other investments	178.141	358.133	(179.992) Decrease	50 %
Net banking transactions revenue and commission	19.641.578	19.220.698	420.880	2 %
Currency purchase and sale revenue	1.488.066	2.743.500	(1.255.434) Decrease	45 %
Leased building rental revenue	1.800	-		
Other banking transaction revenue	4.377.738	747.000	3.630 increase	486 %

Total current transactions revenues	29.916.003	27.316.278	2.599 increase	9.5 %
Less: operational expenses				
Employees' salaries, wages and benefits	4.706.907	4.481.816	225.091 increase	5 %
General and administrative expenses	4.669.810	4.669.971	(161) Decrease	
Depreciations	1.690.772	2.058.142	(267.370) Decrease	17 %
Provision for operating risks	9.745	974.505	(964.760) Decrease	99 %
Total expenses from current transactions	11.077.234	12.184.434	(1.107.200)	9 %
Net income from current transactions	18.838.769	15.131.844	3.706.925 increase	24 %
Less: Other expenses	827.667	590.509	237.158 increase	40 %
Net income before tax	18.011.102	14.541.335	3.469.767 increase	23.8 %

9-B The bank made a profit of (2.849) million dinars as a result of selling the Al-Mansour building, and the mentioned amount was credited to the asset replacement reserve account and the correct accounting treatment must be in accordance with accounting rule No. 12, and the amount should be entered into the capital reserves account, which can be used to raise the capital. It is not permissible to consider these profit as distributable profit:

10. Currency auction window

- A. The balance of the bank's purchases from the currency auction window during the fiscal year 2020 amounted to (1,337.830.000) US dollars, as detailed below and as shown in disclosure No. (27) attached to the financial statements.

Details	Amount (Dollar)
Purchases for transfers	1.293.200.000 Dollar
Purchases for exchange companies	44.630.000 Dollar
Purchases of bank's cash auction	----
Total	1.337.830.000 Dollar

- B. Revenue earned from foreign currency auction window (5.585.636.000) dinar until 31/12/2020 which represent (120.361.000) Dinar as transfers purchases revenue from 23/12/2019 until 31/12/2019 and earned during 2020 (5.328.025.000) Dinar for transfers purchases revenue for the period 01/01/200 until 26/12/2020 (137.250.000) Dinar from Dollar purchases revenue for the purposes of exchange companies.
- C. We requested in our letter no. 31 dated 28/01/2020 sent to the Central Bank of Iraq / Issuance and Stocks Department to provide us with a detailed statement of the bank's purchases form currency auction and no response until dated.

11. Currency valuation differences

According to the Central Bank of Iraq's letter no. 382 dated 21/12/2020, the US dollar exchange rate was changed from 1190 dinars per dollar to 1460 dinars per dollar. This resulted in a credit balance of 34.841.998 thousand dinars, and the mentioned balance was reversed to the provisions account listed below based on the Central Bank's letter no. 401 dated 28/12/2020

Provision Type	Amount / Thousand Dinar
Cash Credit Provision	7.222.264
Contractual Credit Provision	3.426.521
Provision for foreign currency fluctuations	24.193.213
Total	34.841.998

12. Legal lawsuits

The legal department of the bank notify about legal cases as follows:

- A. Lawsuits filed against the Bank by third parties: The number of the lawsuits filed against the bank (12) the total price for these lawsuits are (30.865.495) Dollar and (613.035.000) Dinar; (6) lawsuits completed its values are (26.818.495) Dollar and (216.210.000) Dinar, and the other lawsuits in judging process. We recommend to calculate a provision for legal lawsuits in order to face the potential risks for the rest lawsuits.
- B. Lawsuits filed by the bank against third parties: The bank filed (73) lawsuits' (55) completed and (18) are in judging process.

13. Capital Adequacy Ratio:

The capital adequacy ratio on 31 December 2020 totaled (55%), which is higher than the ratio established by the Central Bank of Iraq; (12%).

14. Compliance officer:

We reviewed the compliance officer reports for the year of auditing and found that they are prepared in accordance with the instructions of the Central Bank of Iraq.

15. Internal Control and Internal Sharia Audit

We reviewed the internal control department reports and noticed that they include all activities of the Bank. The internal control system includes necessary procedures in line with the size and nature of the Bank's activity.

16. Money Laundering and Terrorist Financing Reporting Section

- A- The Bank took procedures to prevent money laundry and terrorism financing during the year of auditing in accordance with the Anti-Money Laundering and Counter-Terrorism Financing Law No. (39) for the year 2015 and the instructions issued by the Central Bank of Iraq.

- B- The Bank adopted the method of disclosing the last payee to inform the Department of Financial Operations and Debt Management /Foreign Currencies sale and purchase instead of submitting customs declarations.
- C- The policies and procedures taken by the aforementioned department have been reviewed.
- D- The reports of the Money Laundering and Terrorist Financing Department were reviewed and were prepared in accordance with the instructions of the Central Bank of Iraq

According to the Bank's records, and explanations provided to us:

1. The automated accounting system applied by the Bank is in accordance with the bookkeeping requirements. According to our judgment, it includes all Bank's assets, liabilities, expenses and revenues. The internal control system includes procedures that ensure correctness and accuracy of these statements in line with the volume of the Bank's activity.
2. The cash assets were inventoried properly under our supervision, while the fixed assets were inventoried by the Bank's Management and we were provided with the inventory sheets. The evaluation was carried out in accordance with the approved basics and principles according to the international accounting standards except the fixed assets where the historical cost was adopted.
3. The financial statements were prepared in accordance with the international accounting standards and the special controls contained in the Letter of the Central Bank of Iraq No. (9/3/289) dated 1/8/2019 (The Accounting and Auditing Organization for Islamic Financial Institutions) for the Islamic financings in line with the applicable regulations. They are in full conformity with the records and were prepared in accordance with the Company Law No. (21) for the year 1997, the Banking Law No. (94) for the year 2004, and the Islamic Banking Law No. (43) for the year 2015, and the regulations and instructions in force.
4. The Management's report was prepared in accordance with the provisions of the Company Law No. (21) for the year 1997, and the instructions issued thereunder. Nothing in it contradicts with the said Law.

Opinion:

With due consideration to the notes and explanations above, and based on the information and explanations we obtained, the financial statements and the Management's report attached thereto are in conformity with the records and meet the legal requirements. They clearly and fairly present the financial position of the Iraqi Islamic Bank for Investment and Development as on 31 December 2020, as well as its activities and cash flows for the fiscal year then ended.

Best regards.

Dr. Haseeb Kadhim Jwaid
Certified Accountant
Member, Iraqi Association of Certified
Accountants

Mahmoud Rashid Ibrahim Al-Fahad
Legal Accountant & Accounts Auditor
Member, Iraqi Association of Certified
Accountants



المصرف العراقي الإسلامي
لإستثمار والتنمية
IRAQI ISLAMIC BANK
For Investment & Development



**TRAVEL
CARD**

You can link with
PayPal



078 02 800 999

www.iraqiislamicb.iq

[f](#) [t](#) [in](#) [v](#) [y](#) [t](#) [u](#) [b](#) [e](#) [n](#) [e](#) [t](#) [w](#) [e](#) [r](#) [e](#) [i](#) [r](#) [a](#) [q](#) [i](#) [i](#) [s](#) [l](#) [a](#) [m](#) [i](#) [c](#) [b](#) [i](#) [q](#)

Governance Report:

Proceeding from the belief of the Iraqi Islamic Bank for Investment and Development that sound corporate governance practices are the basis for achieving justice and transparency in dealing with all relevant parties and stakeholders, and based on the bank's strategic vision, the bank pays all the necessary care to the practices and applications of sound corporate governance in accordance with the legislation governing the business of The bank, and the instructions of the Central Bank of Iraq and international best practices included in the recommendations of the Basel Committee on the institutional governance of banks.

The Board of Directors is also committed to apply the corporate governance manual in line with the banking work environment and the legislative and legal frameworks regulating the work of the bank. The bank publishes the governance report on its website, to enable the public to view it.

The Bank reviews, develops and amends this manual from time to time and whenever is needed, in order to keep pace with changes in its needs and expectations, in addition to changes in the banking market. The annual report includes the bank's corporate governance manual, in addition to a report to the public on the extent of the bank's management's commitment to the terms of the manual according to the pillars included in the bank's corporate governance manual.

Board of Directors:

The Board of Directors elects from among its members a Chairman and a vice-Chairman. Where the separation between the positions of the managing director and the chairman of the board of directors is taken into account in this election, and that the chairman of the board of directors is not related to the managing director by kinship.

The board of directors undertakes the administrative, financial, planning, organizational and technical tasks necessary for the conduct of the bank's activity, except for those within the competences of the general assembly, and in particular, the following specializations are:

- Adopting the bank's plans, including the vision, mission, goals, strategic objectives and core values of the bank in light of the directions of the general assembly, and then directing the executive management to implement the plans while monitoring their performance, evaluating and amending them if necessary to ensure the implementation of those plans.
- Supervising the executive management and following up its performance, ensuring the soundness of the bank's financial conditions and its solvency, and adopting appropriate policies and procedures to supervise and periodically monitor the bank's performance.
- Adopting a policy to monitor and review the performance of the executive management, by setting KPI (Key Performance Indicators.) and KPR (Key Performance Result) to identify, measure and monitor performance and progress towards achieving the bank's institutional goals.
- Ensuring that the bank has policies, plans and work procedures, covering all its activities, in line with the relevant legislation, and that they have been circulated at all administrative levels, and that they are reviewed regularly.
- Defining the "Core Values" of the bank, drawing clear lines of responsibility and accountability for all the bank's activities, and consolidate a high culture of ethical standards, integrity and professional behavior for the bank's administrators.
- Taking responsibility for the integrity of all the bank's procedures, including its financial conditions and reputation, and the responsibility for implementing the requirements of the Central Bank of Iraq, as well as the requirements of the supervisory authorities and other regulatory bodies related to its work, and taking into account the "stakeholders", and that the bank is managed within the framework of legislation, and within the internal policies of the bank, and that effective supervision are always available on the bank's activities.
- Following up the implementation of the decisions of the General Assembly.
- Submitting the final accounts and lists (financial statements) of the bank and a comprehensive report on the results of implementing the annual plan to the gen-

eral assembly for discussion and approval.

- Ensure compliance with international standards in all activities and operations of the bank.
- Discussing and approving the annual plans and budgets related to the bank's activities and following up on their implementation.
- Forming board committees and electing their members from among board members or others.
- Approving the selection of candidates for executive management positions, periodically evaluating and following up their performance, supervising and holding accountability upon them, and obtaining from them a clear explanation and interpretation of the issue of accountability.
- Appointing and terminating the services of the internal auditor, determining his/her fees and remuneration, and evaluating his/her performance.
- Adopting internal control and control systems for the bank and reviewing them annually, and ensuring that the Sharia internal auditor in Islamic banks, in coordination with the external auditor, i.e. the auditor, reviews these systems at least once annually, and the board must include in the bank's annual report what confirms the adequacy of these systems.
- Ensuring the independence of the external auditor (the auditor) initially and continuously.
- Adopting an effective risk management strategy and monitoring its implementation, as it includes the level of acceptable risks, ensuring that the bank is not exposed to high risks, that the board is aware of the bank's operational work environment and the associated risks, and that it ensures that there are adequate instruments and infrastructure for risk management in the bank, capable of identifying and measuring controlling all types of risks to which the bank is exposed.
- Ensuring that the bank applies the basic principles of "good governance", as stated in the "Rules of Good Governance and the Internal Control System" contained in Instructions No. (4) of 2010.
- Ensuring the existence of sufficient and reliable Management Information Systems covering all activities of the bank.
- Spreading the culture of governance in the bank and encouraging all employees and the executive management to apply its practices and attend training courses in this regard, in addition to working on the bank to encourage its customers to implement the rules of governance in their institutions, as well as verifying that the bank's credit policy includes the application of corporate governance for its customers, especially companies. So, that risks are assessed with strengths and weaknesses, according to their practices in the field of corporate governance.
- Ensuring that the bank is in line with Sustainability Principles.
- Taking measures to create a clear separation between the powers of shareholders, who have a "qualified holding" on the one hand, and "executive management", on the other hand, with the aim of promoting sound corporate governance, and it must find appropriate mechanisms to limit the effects of shareholders, who have a "qualified holding".
- Adopting an organizational structure for the bank that defines a clear administrative hierarchy.
- Determining the executive powers of the bank's business, whether the Managing Director or the executive management, whether it is for banking operations, granting credit, or signing transfers, checks, guarantees, borrowing, mortgage and letters of guarantee.
- Adopting a replacement plan for the executive management of the bank and reviewing it annually.
- Ensure that the executive management is informed of the official website of the Anti-Money Laundering Office with regard to the lists of freezing terrorist funds on a daily basis, and informs the Anti-Money Laundering Office and the Banking Control Department at the Central Bank immediately in the event that there is a person whose name has been included in the list of freezing terrorist funds.

- The performance of the board as a whole must be evaluated at least once a year, and the results of the evaluation should be presented to the General Assembly, by relying on a system for evaluating the work of the board.
- The bank shall provide the Central Bank of Iraq with information related to the members of the boards or bodies of managers and the executive departments of its subsidiaries inside and outside Iraq, on a semi-annual basis, as well as when any amendment is made thereto.
- The board of directors shall supervise the quality of disclosure, transparency, and information of the bank.

The Board of Directors consists of 7 members, who are elected by the General Assembly for a period of four years. The members of the Board of Directors have the expertise and qualifications that enable each one of them to express his/her opinion in the discussions of the Board with complete independence. The suitability of the members of the board of directors to the policy of suitability of the members of the board to the requirements of the corporate governance instructions was checked, and the chairman of the board of directors is chosen by the board members.

In this context, the Board of Directors met during the year 2020 (10) times. In each session, the board has a specific agenda, where the discussions and decisions of the board of directors are documented in official minutes, which are prepared by the board's secretary.

The here-below table shows the names of the members of the Board of Directors:

No.	Name	Position	Nature of membership	Balance of facilities granted
1	Ahmad Walid Ahmad	Chairman	Natural	/
2	Arkan Mahmoud Jawad	Vice-Chairman	Natural	/
3	Hammam Thamer Kathem	Managing Director	Natural	/
4	Ahmad Sa'ad Ghanim	Member	Natural	/
5	Abdulsalam Morad Jouai'ed	Member	Natural	/
6	Mofleh Aslan Mohammed	Member	Natural	/
7	Ehassan Ali Kathem	Member	Natural	/

Board of Directors Committees:

According to the Corporate Governance Manual, five committees emerge from the Board of Directors in order to facilitate its responsibilities, which are the Audit Committee, the Corporate Governance Committee, the Nominations and Incentives Committee, the Risk Management Committee, and the Higher Credit Committee.

Audit Committee:

Names, qualifications and experience of the members of the Audit Committee:

No.	Name	Qualifications and experience
1	Amer Abed Jawad Al-Jaza'eri	Postgraduate study for an accountant and auditor license from the Ministry of Commerce
2	Naseef Jassim Mohammad	PhD in Accounting
3	Rami Fuad Salah Al-Hourani	
4	Aws Qais Saeed	Committee rapporteur

Corporate Governance Committee:

The Corporate Governance Committee was elected from the Chairman of the Board of Directors and two independent members. This committee is responsible for directing and supervising the preparation and updating of the Corporate Governance Manual and monitoring its implementation.

No.	Name	Position
1	Ahmad Walid Ahmad	Chairman of the Committee
2	Abdulsalam Murad Jwei'ed	Member
3	Mofleh Aslan Mohammed	Member
4	Mustafa Essa Abdul Rahman	Committee rapporteur

Nominations and Incentives Committee:

The Nomination and Incentives Committee was elected from three members of the Board of Directors

No.	Name	Position
1	Hamam Thamer Kathem	Chairman of the Committee
2	Ehssan Ali Kathim	Member
3	Mofleh Aslan Mohammed	Member
4	Mazin Hashim Kathem	Committee rapporteur

Higher Fiduciary Committee:

The Higher Credit Committee was elected from three members of the Board of Directors.

No.	Name	Position
1	Ahmad Walid Ahmad	Chairman of the Committee
2	Hamam Thamer Kathem	Member
3	Abdulsalam Morad Jouai'ed	Member
4	Osama Zaid Abdullah	Committee rapporteur

Risk Management Committee:

The Risk Management Committee was elected from three members of the Board of Directors.

No.	Name	Position
1	Ahmad Sa'ad Ghanim Al-Sarraf	Chairman of the Committee
2	Hamam Thamer Kathem	Member
3	Abdulsalam Morad Jouai'ed	Member
4	Rawya Tawfiq Hameed	Committee rapporteur

Board Secretariat

The importance of the minutes of the meetings for the Bank, the shareholders and the supervisory authorities stems from the fact that they are the permanent record of the work carried out by the Board and the decisions taken by it and by its committees throughout the history of the Bank's work. Accordingly, Mrs. (Rasha Saad Hammad) has been appointed as Secretary of the Board of Directors, and the duties and responsibilities of the Board's secretariat have been defined within the Bank's Corporate Governance Manual, as follows:

- Attending all Board meetings, taking note of all deliberations, suggestions, objections, reservations, and how to vote on the Board's draft resolutions, with the need to adopt audio and video or any means it deems appropriate to ensure the recording of all notes mentioned during the Board meeting, with the recording, keeping and documentation of records and minutes of Board meetings after being signed by the board members. As well as the sound and picture.
- Presenting the topics, after preparing a brief summary of each topic, stating the opinion of the executive management and the various committees therein, linking documents and priorities to each topic, and submitting them to the Chairman of the Board for approval of their presentation and bringing up such topics.
- Provide each member with an adequate summary of the bank's business, upon election, appointment or upon request. Negotiating with any new member and with the assistance of the legal advisor or director of legal affairs of the bank about the duties and responsibilities of the board, especially with regard to legal and regulatory requirements to clarify the tasks, powers and other matters related to membership, including the membership period and meeting dates, as well as providing the new member with the texts of laws related to the work of banks and the instructions issued by The Central Bank of Iraq, which pertains to the work of the Board, including what is stated in the Corporate Governance manual issued by the Central Bank of Iraq.
- Organizing the dates and meetings of the Board with the approval of the Chairman of the Board.
- Ensuring that the members of the Board sign the minutes of the meetings and follow up on the implementation of the decisions taken by the Board, and any

topics that were postponed in a previous meeting.

- Receiving the reports of the committees associated with the Board and presenting them to the Board.
- Numbering the resolutions sequentially from the beginning to the end of the year (resolution number, session number, date).
- Ensuring the compliance with all legal requirements in relation to the affairs of the Board.
- Providing the Central Bank of Iraq with the minutes of the signed meetings.
- With regard to shareholders and meetings of the General Assembly: communication with shareholders and assistance in organizing the meetings of the General Assembly.
- Maintain shareholder data.
- Preparing for the meetings of the General Assembly and cooperating with the committees formed by the Board.
- Serving invitations to shareholders, the Central Bank of Iraq and the Companies Controller.
- Ensuring the attendance of the members of the Board of Directors, members of the executive management and the external auditor.
- Maintain records of General Assembly meetings.

Senior Executive Management

Members of the senior executive management, including the managing director, meet the requirements of suitability for members of the senior executive management in accordance with the requirements of the corporate governance manual. The names and positions of the senior executive management are as follows:

No.	Name	Position
1	Hamam Thamer Kathem	Managing Director
2	Eyad Salem Ahmad	Deputy Managing Director
3	Aws Qais Saeed	Deputy Managing Director
4	Naghham Mohammad Hadi	Director Financial department
5	Yaser Waleed Nayef	Director of commercial services department
6	Mustafa Issa Islem	Director of Sharia Supervision and Internal Audit
7	Sami Ibraheem Salih	Director of legal department
8	Moh'd Mawlowd Waheeb	Director of Banking Operations Department
9	Moh'd Ahmad Abed Al Khalayleh	Director of IT department
10	Abdulfattah Zuhdi Abdulfattah	Director of Information Security and Protection Department
11	Mazin Hashim Kathem	Director of Human Resources and Administration Department
12	Rawa' Abdullah Khudhair	Director of Sharia Compliance and Compliance Monitoring Division
13	Anwar Kathim B'ewe	Director of credit department

14	Mustafa Jawad Malik	Director of the Money Laundering and Terrorist Financing Reporting Department
15	Basheer Miqdad Kroum	Director of risk department
16	Ruqaya Abdul Rahman Sabri	Director of the Financial Institutions Department
17	Huda Salih Mahdi	Director of Banking Awareness and Public Protection Department
18	Abdullah Aysar Al Safi	Director of External Relations Department
19	Basim Salman Hussein	Director of Internal Relations Department
20	Ayman Fawzi Moh'd	Director of the Governmental Institutions Department
21	Hasaneen Sabah Kareem	Director of Treasury and Investment Department
22	Anas Abdulhameed Salman	Director of Electronic Cards Department

Conflict of interest

The Board of Directors, within the Corporate Governance Manual, affirmed that each member of the Board must determine his/her affiliation with the bank and the nature of his/her relationship, avoiding conflicts of interest, adhering to the content of the Code of Professional Conduct in this regard, and disclosing in writing on an annual basis or if there are developments that require that.

Planning and policy making

The Board of Directors undertakes its responsibilities in drawing up the general strategy of the bank, determining the general objectives of the executive management, and supervising the achievement of these objectives.

Regulatory environment

The Board of Directors undertakes its responsibilities by relying on a general framework of internal control in order to verify the following:

- Effectiveness and efficiency of the operations.
- Credibility of financial reports.
- Adhere to the laws and instructions in force.

The Board confirms the existence of a general framework for internal control that enjoys specifications that enable it to follow up on its tasks and take the necessary measures in this regard.

Risks Management

The bank's management has attached special importance to Basel III requirements as a framework for consolidating and enhancing the bank's ability to improve the control environment and confront various types of risks. It has taken practical steps to implement what is stated in them, including the establishment of specialized departments in managing various risks (credit, operation, market) and supplying it with qualified human cadres.

Risks management operates within the following general framework:

- Providing information about the bank's risks to be used for the purposes of disclosure and publication to the public.
- Supervising the verification of the efficiency and effectiveness of procedures related to risks management.

- Supervising the identification of risks facing the bank and preventing it from achieving its desired goals.
- Supervising the identification of risks facing the bank and ensuring the adequacy of the internal control procedures that prevent its occurrence.
- Supervising the monitoring of the effectiveness and efficiency of the internal control system and its ability to face risks that prevent the achievement of the Bank's objectives.
- Supervising the classification of risks according to their importance and likelihood of occurrence.
- Coordination with the Internal Audit Division, provided that the annual audit plan includes high-risk departments.
- Supervising the modification and updating of the risk register based on the changes resulting during the audit year.
- Participating in conferences and attend seminars and workshops within his/her competence.
- Reviewing periodic reports, following up on the appropriateness of applying the standard ratios, and submitting the necessary recommendations to the Risks Committee.
- Ensuring that operational risk management policies are adopted and followed, for example, through insurance or emergency planning.
- Participating in determining the percentage of concentrations of the economic sectors related to the bank's activities, with the aim of adopting plans in which the percentage of future bank contributions to these sectors is determined and evaluating the bank's current portfolio on them by studying the volume of transactions executed within the sector and evaluating the performance of approved programs in accordance with the bank's credit policies and determining the degree of deviations to work on amending it in accordance with the set strategy, through the implementation of all administrative supervisory and analytical and evaluative tasks on the proposed programs.
- Following up on the excesses and control the credit concentrations and ensure that they are within the instructions and the limits established in the credit policy.
- Following up the analyzes of the items of the financial position (items inside and outside the budget) and the income statement on a monthly basis in terms of performance indicators and risks, comparing indicators with competitors, reviewing the risks of existing and proposed assets products or any modifications in this regard in terms of their impact on the safety and growth of the income statement, liquidity and economic value of the bank.
- Determining risk appetite / risk tolerance in the light of developments in the financial position and growth plans.
- Monitoring the extent of compliance with the acceptable RISK APPETITE.
- Preparing (STRESS TESTING) in accordance with the requirements of the International Basel Committee and the instructions of the Central Bank of Iraq, and reviewing these tests and submitting recommendations to the Risks Committee to take the necessary measures.
- Reviewing credit policies and all risk policies on an annual basis.
- Reviewing the risks of existing and proposed asset products or any modifications in this regard in terms of their impact on the integrity and growth of the income statement, liquidity and economic value.
- Examining and reviewing the analyzes of the opponent's risks in terms of pricing and the competitive position towards competitors for the same products and presenting recommendations and submitting them to the Risks Committee.
- Following up on linking risks with control procedures (building a risk matrix), where risks are linked to control measures to identify risks according to the degree of control over them (risk reduction).

- Determining the risks of modern strategies (such as business development).
- Reviewing the main Indicators Risks Key and determining the matters that must be reviewed by the Board of Directors periodically (semi-annually).
- Reviewing the maximum limits for transactions with other banks and the maximum limits for transactions in countries when necessary and at least once a year in coordination and participation with the relevant departments.
- Notifying the director of the Sharia Supervisory Board of any breach that leads to a violation of the provisions of Islamic Sharia.
- Assessing of new material risks affecting the bank.
- Ensuring and following up on the development of policies that include the limits and powers to be dealt with, and their application after approval by the Bank's Board of Directors.
- Providing the Risks Committee with periodic reports on the risks that the Bank faces or may be exposed to, and any violations of laws and regulations, and monitoring the extent to which the Executive Management adheres to the approved risk management policies.
- Spreading awareness about the concept of risk management for all departments and units of the bank.
- Implementing the policies and procedures approved by the Board of Directors.
- Measuring the performance of direct subordinates and supervising the measurement and evaluation of the performance of the department's employees.
- Coordinating with the General Department of Human Resources to attract competencies to work within the department, and to train employees.
- Providing direction, guidance and support to employees to ensure the smooth flow of work and achieve distinct levels of performance.
- Holding periodic meetings and whenever necessary with department officials and employees, and following up on the implementation of recommendations.
- Working on instilling the bank's values and ethics in the department's employees and enhancing belonging to the bank.
- Performing the tasks assigned to it in its field of work.

Legitimate Compliance and Compliance Monitoring:

In the context of enhancing the bank's commitment and compliance with the requirements of the regulatory authorities, the Compliance Department was established and entrusted with the tasks of supervising compliance with the regulations, laws, legislation, standards and international and ethical requirements issued by the various regulatory authorities and the bank's internal policies, and providing them with qualified human cadres. In the compliance department, all the laws, regulations and instructions governing the bank's business have been identified, and all employees have been educated and aware of the concept of compliance through bulletins and training courses. In addition to the department's role in financial and tax verification (Financial Crime) in terms of monitoring cases of suspected fraud and forgery, and followed by the External Accounts Tax Compliance Unit (FATCA) reports to it.

The following is the general framework for the work of the Sharia Compliance and Compliance Control Department:

- Supervising the development of the department's plan.
- Ensuring that the bank and its internal policies comply with all laws, regulations, instructions, orders, code of conduct, standards and sound banking practices issued by local and international supervisory and supervisory authorities.
- Ensuring the receipt of all laws, regulations and circulars issued by the supervisory authorities and following up on all the bank's departments in their implemen-

tation.

- Reviewing all policies and procedures of the bank's departments and divisions and ensuring their inclusion and compliance with the laws, instructions and internal and external controls and approval.
- Ensuring that all written and approved policies and procedures of the bank are consistent with the applicable compliance rules.
- Contribute and assist the Board of Directors in the implementation of corporate governance.
- Identifying and deal with all compliance risks and monitor their development.
- Developing policies and procedures for the department, and following up on updating the policies and procedures periodically and according to work requirements.
- Providing advice and observations on what is required to work in a way that protects the bank from the risks of non-compliance in the daily operations of the bank.
- Participating in Board of Directors meetings and sign its minutes.
- Conducting educational and awareness-raising courses for employees, aiming at proper compliance and mitigating risk.
- Studying correspondent banks to open banking relationships with regard to compliance requirements.
- Spreading the culture of compliance in raising awareness of the importance of compliance.
- Coordinating with the legal department regarding the review of contracts and forms to ensure their compliance with the bank's internal policies and regulations.
- Ensuring that new banking products comply with laws, regulations and publications.
- Submit periodic reports to the Board of Directors on the executive management in relation to compliance monitoring.
- Raising monthly and periodic reports to the relevant authorities.
- Adhere to confidentiality requirements at work.
- The Compliance Director shall review the following reports and express an opinion on them:
 - Internal audit reports.
 - External audit reports.
 - Central Bank of Iraq inspection reports.
- Preparing the guideline for compliance and the risk guide for non-compliance.
- Supporting the Board of Directors and carrying out any work assigned to it in the field of compliance.

Sharia Supervisory and Internal Audit Department

Internal Audit

The internal audit ensures the provision of the necessary periodic evaluation of the quality of the bank's accounts, performance and progress of operations, in compliance with international standards, and submitting periodic reports to the Audit Committee on the effectiveness and appropriateness of the internal control processes and procedures approved and implemented by the bank's management.

Sharia Supervisory

It is concerned with following up and reviewing the work manuals and systems of work procedures in the bank in terms of their compliance with the rules set and reviewed by the Sharia Board, and makes sure that the products and services provided by the Bank have been approved by the Sharia Board.

The following is the general framework for the work of the Department:

- Setting goals for the department and supervising their implementation in line with the general vision of the Board of Directors.
- Preparing the internal audit plan in light of the results of strategic analysis and risks assessment.
- Supervising the development and implementation of the annual plan for internal control and audit work in accordance with the annual business plan.
- Supervising the preparation and unification of the department's budget.
- Supervising the development of the internal audit program, ensuring that steps are set to conduct audits in detail, and supervising the audit teams to ensure the completion of audit programs in accordance with recognized audit standards locally and internationally, in addition to adherence to specific plans and schedules.
- Monitor the implementation of the internal audit plan and make the necessary changes, with obtaining the approval of the Audit Committee to ensure the achievement of objectives and take corrective procedures when needed.
- Verifying the validity and integrity of the internal control system and determine its adequacy and effectiveness while verifying that it is being applied properly.
- Evaluating the risks facing the Department, submit proposals for how to deal with such risks, and prepare plans to confront potential risks in cooperation with the Risk Management Department.
- Supervising and maintaining the efficiency and effectiveness of the bank's work in accordance with the internal audit charter and methodology.
- Supervising the implementation of internal audit operations in accordance with the approved audit plan, submitting reports and recommendations to senior management, and following up their implementation with the competent authorities (the Audit Committee/Sharia Board).
- Follow up on the documentation of the internal audit processes and compare them with the best practices and ensure that they meet the objectives of the entity.
- Supervising the implementation of recommendations and directives resulting from internal audits or issued by the competent regulatory authorities.
- Auditing and comprehensive examination of all aspects of the facility's activity (financial, administrative and technical), studying periodic reports of the activity of sub-sections, comparing them with the drawn plans, verifying the levels of implementation of the specific objectives, requesting the necessary clarifications of deviations and giving an opinion thereon.
- Continuous consultation and cooperation with the bank's external auditor in order to reach a clear vision of the bank's situation and inform it of any specific matters and risks that may affect its work.

- Carry out inspection tours of all facilities and works of the institution and its branches and make the necessary recommendations.
- Supervising the preparation of the report that is submitted to the senior management and the audit committee with all the observations that appeared during the audit process, provided that the report is accurate in writing so that it does not carry more than one meaning and that the recommendations are applicable.
- Supervising the number of periodic reports submitted to the managing director, which shows the violations that may occur when detected, and the weaknesses in the internal control procedures that are discovered through documentary review, and that may cause financial losses to the institution if they occur.
- Overseeing and approving the monthly and quarterly budgets.
- Supervising the work of the work team, including team leaders and internal audit staff, and contributing to raise their practical and scientific efficiency through direct and indirect supervision and continuous guidance.
- Do what is necessary to preserve the institution's funds and its various assets and to ensure that there are sufficient means to protect it from loss, misuse or embezzlement.
- Continuous review of activities to ensure the effectiveness of accounting and administrative controls, the accuracy of accounting operations, and compliance with the policies and procedures of the institution.
- Ensuring that the Sharia audit reports are approved by the Sharia Board.
- Ensuring that all actions and behaviors are followed up, and then examined and reviewed in light of the provisions and principles of Islamic Sharia through the relevant department.
- Ensuring the safety of the bank's implementation of the standards and provisions issued by the Sharia Supervisory Board, and examining the extent of its compliance with those provisions in all its activities.
- Periodic evaluation of the effectiveness of the Sharia audit.
- Supervising and following-up for the preparation of the quarterly reports of the Central Bank of Iraq.
- Evaluating the results of deviations from the performance levels and the drawn plans and policies.
- Working on developing programs to enhance continuous learning, develop and motivate employees to ensure better performance of tasks.
- Supporting the administration and carrying out any work assigned to it in the field of competence.

External Audit

As for the external auditor, it represents another level of control over the credibility of the financial statements issued by the bank's accounting and information systems, especially with regard to expressing a clear and frank opinion on the extent of the fairness of these statements and their reflection of the actual reality during a certain period. In its dealings with external audit offices, the Board of Directors takes into account the interest of the bank and the professionalism of the auditors it deals with.

Professional Conduct

The Bank has a guide to the Code of Professional Conduct that was approved by the Board of Directors and circulated to all the Bank's employees, in addition to hold training courses on these concepts, and the Compliance Department is responsible for verifying the extent of compliance with them.

Relationship with Shareholders

The law guarantees for every shareholder the right to vote in the meetings of the General Assembly and the right to discuss topics on the agenda of the ordinary and extraordinary General Assembly. In addition, the shareholders have the right to propose any other items on the agenda of the ordinary General Assembly, provided that this proposal is accompanied by the approval of a number of shareholders representing not less than 10% of the shares registered at the meeting, and in order to strengthen this relationship, the Board of Directors works by all appropriate means to encourage shareholders, especially small shareholders, to attend the annual meeting of the General Assembly and vote either in person or by personal authorization in the event of their absence. The Board also works to provide shareholders with (A copy of the annual report to their mailing addresses, the general assembly meeting invitation and its agenda, all information and media materials directed to shareholders in general).

This is in addition to the right of each shareholder to review the record of shareholders in relation to his/her contribution, and the Board is also keen on distributing profits fairly to shareholders and in proportion to the number of shares owned by each of them.

Transparency and disclosure

The corporate governance of the bank includes dimensions related to integrity, dealing with integrity, honesty, objectivity, accountability for the decisions taken by the relevant departments in the bank, transparency, disclosure and openness to public. The bank is concerned with public disclosure of all reliable information that is provided in a timely manner to help the users of this information to conduct an accurate assessment of the bank's financial position, achievements, activities, risks and management of these risks, especially since disclosure alone gives the required transparency that is available in the information in terms of accuracy and completeness in terms of quality and quantity which provided at the appropriate time.

Accordingly, during the annual report, all the data required for the various supervisory authorities were disclosed, in addition to publishing the bank's corporate governance manual and the extent of its commitment thereto.

Corporate Governance Manual of the Iraqi Islamic Bank for Investment and Development

Introduction

One of the priorities of the Iraqi Islamic Bank is to adhere to sound corporate governance practices, and the Board of Directors is also committed to apply the highest professional performance standards to all of the bank's activities. In this regard, the bank follows the instructions of the Central Bank of Iraq, which adopted the recommendations of the Basel Committee on corporate governance, and also follows the recommendations of the Sharia Supervisory Board. And based on the bank's strategy, vision and objectives based on a clear and highly professional methodology in the performance of its operations and management of its business, and in the belief that proper work lies in prudent management and oversight, and that transparency and disclosure are the key to creativity, success and satisfaction of customers and shareholders, where governance aims to determine the nature of the relationship between the bank's board of directors and the executive management in a manner that leads to the protection of the funds of depositors, shareholders and stakeholders, as well as focusing on disclosure and transparency, and the commitment of the management to international laws, regulations and standards. The Governance Manual has been prepared in line with the instructions of the Central Bank of Iraq and according to the provisions of the noble Islamic Sharia, and the accounting, auditing and auditing standards and controls for Islamic financial institutions.

The Iraqi Islamic Bank was the first Islamic bank established in Iraq in 1992, which adhered to the concepts and provisions of the noble Sharia. The Iraqi Islamic Bank began its work by investing in several areas such as Murabaha, participation, management of investment portfolios, accepting deposits, opening accounts, dealing in foreign currencies, and banking business that is commensurate with provisions of Islamic law. One of the motives behind the establishment of the Iraqi Islamic Bank was an attempt to support and enhance the national economy by motivating investors who do not wish to invest by taking usurious interests, and enabling capital owners to establish their productive projects through the partnership between the bank and the investor and to benefit from bank financing.

This manual was prepared based on the corporate governance manual for banks in Iraq issued by the Central Bank of Iraq for the year 2018, after aligned it with the provisions of the Banking Law No. (94) for the year 2004 and the Islamic Banking Law No. (43) for the year 2015 and the amended Iraqi Companies Law for the year 2004 and the articles of association and the bank's statutes and according to the teachings of Sharia provisions and in accordance with the best practices recognized internationally and international standards issued by international institutions and bodies (International Finance Corporation IFC, Organization for Economic Cooperation

and Development OECD, Basel Committee on Banking Supervision, Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI, Islamic Financial Services Board IFSB. The Bank will review, develop and amend this manual from time to time and whenever necessary, in order to keep pace with changes in its needs and expectations and the banking market.

Definitions:

No.	Abbreviation / Term	Term / Definition
1	Central Bank	Central Bank of Iraq
2	Bank	Iraqi Islamic Bank for Investment & Development
3	Board	Bank's Board of Directors
4	General Assembly	General Assembly of Shareholders
5	Sharia Board	Sharia Supervisory Board of the Iraqi Islamic Bank for Investment and Development
6	Bank's Capital	Paid Capital
7	AML	Money Laundering and Terrorist Financing Reporting Unit
8	IFC	International Finance Corporation
9	OECD	Organization for Economic Cooperation and Development
10	AAOIFI	Accounting and Auditing Organization for Islamic and Financial Institutions
11	IFSB	Islamic Financial Services Board
12	Corporate Governance	<p>It is a set of comprehensive systems that define the relationships between the board of directors, the executive management of the bank, shareholders and other stakeholders. Governance deals with the system through which the board of directors directs the bank and monitors its activities, which affects:</p> <ul style="list-style-type: none"> • Determining the bank's strategy. • Managing the bank's risk system. • The business and activities of the bank. • The balance between commitment to responsibility towards shareholders, protecting the interests of depositors, and taking into account the interests of other stakeholders. • The bank's compliance with applicable laws, instructions, and controls. • Disclosure and transparency practices.
13	Convenience	The availability of the minimum requirements for members of the bank's board of directors, the Sharia Supervisory Board of the Iraqi Islamic Bank for Investment & Development and members of the executive management.
14	Executive Management	High-ranking employees as stated in Article 1 of the Banking Law No. 94 of 2004 and in accordance with the instructions of the Central Bank of Iraq and the organizational structure of the bank.
15	Stakeholders	Anyone with an interest in the bank, for example (depositors, shareholders, employees, creditors, customers, clients, relevant regulatory authorities and government authorities).

16	Relevant Person	<ul style="list-style-type: none"> • The relevant person under Article (1) of the Banking Law No. (94) of 2004. • The managing director or his/her assistant after leaving work for two years. • (External Auditor) The external auditor for the duration of his/her service and two years after the end of his/her contract with the bank. • Any natural or legal person who has a contractual relationship with the Bank during the term of the contract.
17	Associated group	It is a group of individuals or companies that have kinship relations or influential economic interests
18	Independent Member	Is a member of the board of directors who enjoys complete independence from management and the bank, and independence means the ability to judge matters impartially after taking into account all relevant information without any affect from management or from other external parties.
19	Executive Member	Is a member of the board of directors who is a member of the executive management of the bank and participates in the executive management of it, as he/she receives a monthly salary in return.
20	Non-executive member	Is a member of the board of directors who is related, for example, but not limited to (relevant), as he/she provides opinion and technical advice and does not participate in any way in managing the bank and following up on its daily business and does not receive a monthly salary.
21	Good and Decent Person	A person who is considered honest and trustworthy and whose professional qualifications, background, experience, financial position, or interests in the business sector do not make him/her ineligible, in the opinion of the Central Bank of Iraq, to be the owner, administrator, trustee, or receiver of a bank.
22	Strategy	It is the approach or business context that the bank uses to achieve its strategic objectives.
23	Strategic Planning	It is the process by which the bank implements defining the general orientation and concentration of the bank, reviewing the bank's mission and vision, and setting priorities in the medium and long term to be in line with the bank's mission and objectives, in addition to translating those limited priorities into an appropriate strategy to achieve goals and objectives
24	Internal Audit	A process implemented by the board of directors, management, and other employees to provide appropriate assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, reporting and compliance.
25	Internal Audit	It is an independent evaluation duty established within the bank to study and evaluate its objectives as a type of service provided to the bank. The objective of the internal audit is to assist the bank's members to perform their responsibilities efficiently by providing them with analyzes, evaluations, recommendations, advice and information related to the audit's special activities to achieve the goal of encouraging effective control at an appropriate cost.

The Iraqi Islamic Bank is committed to apply the provisions of Islamic Sharia in all its banking and investment transactions through the application of the concept of financial intermediation based on the principle of participation in "profit and loss". It highlights the role of the Iraqi Islamic Bank as a financial joint stock company that attracts and invests money and performs banking services, and its role as a financial intermediary whose operations are regulated within the framework of Islamic Sharia.

The Iraqi Islamic Bank is subject to the legal aspects approved by the banking legislation in addition to its adoption of legal controls, and that the internal resources (capital, reserves, undistributed profits), and external resources (deposits of all kinds) have their legal controls according to the noble teachings of Islam in addition to legal controls and compliance with circulations of Central Bank of Iraq. Moreover, "finance" has forms that differ from loans, the most important of which are mudaraba, musharaka, murabaha sale, Istisna' and leasing... , and each of these formulas has its own legal, Sharia and credit controls that achieve credit control and ensure that funds are refunded to the bank, which do not violate the provisions of money in Islam.

Section One

General Framework of the Manual

Article (1) Scope of Application:

This manual is mandatory for the bank since the date of its approval by the Board of Directors

Article (2): The Bank's Corporate Governance Manual:

Given the importance of corporate governance and in application of international standards and best practices, the bank must do the following:

1. Forming a committee emanating from the board, called the "Corporate Governance Committee," which has prepared this manual on the governance of the Iraqi Islamic Bank for Investment and Development, which will be approved by the bank's board of directors.
2. The committee prepares a corporate governance manual for the bank that is approved by the board of directors and in accordance with the minimum requirements of the corporate governance manual issued by the Central Bank of Iraq after obtaining the approval of the Board and based on the recommendation of the corporate governance committee in cooperation with the advisory bodies to obtain advice and assistance in developing new requirements in this manual in accordance with the best practices in governance.
3. The bank publishes its governance manual on the website and confirms that all employees and members of the board of directors have access to it.
4. Transparency and disclosure in a way that enables the relevant authorities to evaluate the bank's position and financial performance.
5. Accountability in the relations between the bank's executive management and the board of directors on the one hand, and between the board of directors and shareholders on the other.
6. Responsibility: In terms of clear separation of responsibilities and delegation of powers.
7. Review and Amendment: The Bank reviews, develops and amends this manual from time to time, and whenever necessary, in order to keep pace with changes and developments in the needs and expectations of the Bank and the banking market.

Section Two:

The Main Pillars of the Manual

Article (3) Commitment to Corporate Governance

The Iraqi Islamic Bank (the Company) has a regular set of relationships with the Board of Directors, shareholders and all other relevant parties, and these relationships address the general framework of the bank's strategy and the means necessary to implement its objectives, and the general framework of corporate governance ensures fair treatment based on equality among all shareholders, and recognizes all shareholders rights defined by law, and confirms providing them with all important information about the company's activity, and the commitment of members of the board of directors to their responsibility towards the company and shareholders.

The Bank has prepared this manual in accordance with the requirements of the Corporate Governance Manual issued by the Central Bank of Iraq in a manner consistent with its needs and policies, and it has been approved by the Board of Directors and has been published so that an updated version of it is available on the bank's website and to the public upon request.

The bank shall include in its annual report as a report to the public on the extent of the bank's management's commitment to the provisions of the manual, indicating the extent to which the bank's management is committed to implementing each of its clauses, with a mention of the reasons for not complying with any clause that has not been implemented (if any).

Section Three:

The General Assembly

Article (4) Composition and Meetings of the General Assembly

1. The general assembly consists of all the shareholders of the bank.
2. The general assembly of the bank meets at least once a year.
3. The invitation to the meeting of the general assembly is sent by the Chairman of the Board of Directors of the bank by a decision of the board or based on the majority of the board members.
4. Serving an invitation to the Central Bank of Iraq and the Companies Controller Department (15) fifteen days before the date of the meeting.
5. The invitation to attend the meetings of the General Assembly shall be by publishing an announcement in a bulletin on the meeting location, in two daily newspapers, and in the Iraq Stock Exchange, provided that the invitation shall specify the place and time of the meeting, provided that the period between the date of the invitation and the date of the meeting shall not be less than (15) fifteen days.
6. Every invitation to the meeting of the General Assembly must be accompanied by an agenda for the meeting and may not be bypassed during the meeting except upon the proposal of representatives of no less than (10%) ten percent of the company's capital, and the approval of the majority of the votes represented at the meeting.
7. Meetings shall be held at the bank's management headquarters or in any other place in Iraq if circumstances require so.
8. The meeting of the general assembly shall be held in the presence of members who own the majority of the subscribed shares and paid their due installments. If the legal quorum for the meeting is not complete, the meeting shall be postponed, provided that it is held in the same place and on the same day of the following week, and the quorum shall be considered in the second meeting regardless of the number of shares represented therein. Unless the agenda is limited to amending the articles of association or increasing or decreasing the capital of the bank, then the attendance of the required percentage at the first meeting is required.

A member may delegate a third party via a certified power of attorney to attend, discuss and vote in the meetings of the general assembly, and the member may also delegate other members for this purpose.
9. Each representative of the Companies Controller or a representative of the Central Bank of Iraq has the right to attend meetings.

General Assembly

10. Before starting the meeting, the name of the participant in the meeting and the number of shares such participant holds in person or by proxy, provided that the participant shall present the certificate of the shares he/she owns and the power of attorney or the proxy deed if he/she holds the shares of another member and is signed beside his/her name.
11. One of the members of the board of directors shall be responsible for the registration in the register of participants in the meeting, and the registrar shall be responsible for the validity of what is recorded therein. The participant is given a meeting entry card in which the number of votes he/she is entitled to vote is written.
12. The meeting is chaired by the eldest member until the election of a president for the general assembly.
13. The chairman of the meeting chooses from among the members participating in the meeting a clerk to record its facts and one or more observers to calculate the quorum and collect the votes, provided that they shall be shareholders.

14. The quorum is calculated after thirty minutes from the specified time of the meeting. If the meeting Chair finds that the quorum is achieved, the Chair announces the start of the meeting and calls for the election of a president for the General Assembly. The elected president assumes the duties of the presidency immediately upon his/her election and announces the start of discussing what was mentioned in the agenda according to the sequence of topics included therein.
15. A complete record of the discussions, suggestions and decisions that took place in the meeting, along with confirming the opposing opinions, shall be recorded in a special register. The minutes shall be signed by the president of the General Assembly, the clerk, the observer, the representative of the Companies Controller and the representative of the Central Bank of Iraq, if he is present. However, the minutes shall be stamped with the seal of the bank and a copy of it is sent to the Controller.
16. The decisions of the general assembly are recorded in a special register, stamped with the bank's seal and signed by the president of the General Assembly.
17. Each participant in the meeting and each member of the General Assembly has the right to appeal to the Companies Controller regarding the integrity of the procedures taken on the date of the call for the meeting to the date of the issuance of the decisions, within (3) three days from the date of the meeting's end.
18. Each shareholder shall have a number of votes equal to the number of shares he/she owns.
19. Voting shall be public, except in matters relating to the election and dismissal of the Board of Directors or any member thereof. Decisions regarding the increase or decrease of the bank's capital are issued by the majority of the subscribed, paid and due shares. As for the decisions in other matters, it is issued by the majority of shares or the number of shares present at the second meeting, regardless of that number.
20. The decisions of the General Assembly meeting shall be sent to the Companies Controller within seven days from the date of its adoption, and its certified copy shall be a valid document for submission to any authority or party.
21. The holders of (5%) of the bank's shares may object to the decisions of the General Assembly at the Companies Controller within seven days from the date of their adoption.

Article (5) The Responsibilities of the General Assembly:

The General Assembly is the highest body in the bank that is responsible for deciding everything that is in its interest, with full compliance with the provisions of Islamic Sharia. It undertakes in particular the following:

1. Discussing and approving the founders' report on the company's incorporation procedures when holding the founding meeting.
2. Electing or dismissing members of the bank's board of directors.
3. Electing and dismissing members of the Sharia Supervisory Board and determining their remunerations.
4. Discussing the reports of the Board of Directors, the auditor and any other report received from a related party and taking the necessary decisions.
5. Discussing and approving the final accounts of the bank.
6. Appointing an auditor and decide his/her wages.
7. Approving the percentage of profits to be distributed to shareholders and determining the remuneration of the Chairman and members of the board.

Section Four:

Board of Directors

Article (6) General Principles

1. The primary duty of the Board of Directors is to protect and develop the rights of shareholders in the long term. In order to perform this role, the Board of Directors bears full responsibility for corporate governance, including the strategic direction of the Bank, setting the general objectives of the executive management and overseeing the achievement of these objectives.
2. The Board bears all responsibilities related to the operations of the bank and its financial safety, and to ensure that the requirements of the Central Bank of Iraq and the interests of shareholders, depositors, creditors, employees and other relevant parties are met, and to ensure that the management of the bank is carried out in a prudent manner and within the framework of the laws and instructions in force and the internal policies of the bank, and to ensure that the adequacy of transparency and disclosure of financial and non-financial information.
3. The Board establishes the principle of the obligation of each member of the Board towards the Bank and all its shareholders, and not towards a specific shareholder.
4. The Board sets the strategic objectives of the bank in addition to monitoring its executive management, which bears the responsibilities of daily operations. The Board also approves the internal control and control systems and ensures their effectiveness and the extent of the bank's adherence to the strategic plan, policies and procedures approved or required by laws and instructions issued pursuant thereto. In addition to ensuring that all the bank's risks have been properly managed. Nominating and evaluating members and the chairman of the board, selecting and evaluating the executive director and executive members, and planning the transfer of power.

Article (7): Composition of the Board of Directors:

1. Board members are elected at the General Assembly meeting for a period not exceeding four years after obtaining the approval of the Central Bank of Iraq, and the member may be reelected for a second term as a maximum.
2. The number of board members must be at least (7) members who are elected at the general assembly meeting according to the cumulative voting system, provided that the number of independent members is not less than (4) members or one-third of the members of the board, with a member representing the minority of shareholders where this member might be one of the independent members.
3. The Board elects from its members a Chairman and a vice Chairman.
4. The vice chairman of the board assumes the duties of the Chairman in his/her absence or if he/she is unable to preside over a board meeting.
5. It is preferable that one of the Board members be a female as a minimum.
6. If a member of the board of directors loses any of the conditions mentioned in Article (8), his/her membership of the board ceases to exist from the date of losing that condition, and every decision taken in his/her presence is considered void if his/her vote on it affected its adoption.
7. If the elected founder apologizes for accepting the membership of the board of directors, he/she must inform the board of this within seven days from the date of election if he/she was present (the election session) and from the date of his/her notification if he/she was absent.
8. If a member of the Board of Directors resigns; this resignation must be in writing and is not considered effective except from the date of its acceptance by the Board.
9. The bank's employees shall not have members to represent them in its board of directors.

10. If there is a vacancy in the membership of the board of directors, the chairman of the board calls the reserve member who obtains the majority of votes, and if more than one member has equal votes, the president chooses one of them.
11. If more than one vacancy occurs in the membership of the Board of Directors and the number of reserve members is not sufficient to fill these vacancies, the Chairman of the Board calls the General Assembly to meet to elect original members to complete the deficiency in the membership of the Board after entering the reserves and electing reserve members in their place within 60 days of the vacancy occurring.
12. If the board of directors loses half of its members at one time, it is considered dissolved and must invite the general assembly to meet within thirty days from the date of the loss to elect a new board.
13. If a member of the board of directors is absent from the meeting, the procedures established in paragraphs (seventh and eighth) above shall be followed, and the reserve member shall replace the original member for the duration of his/her absence.

Article (8) Board member qualifications and independence

The diversity of practical and professional experiences and specialized skills that qualifies each one of them to express his/her opinion in the discussions of the board with complete independence shall be taken into consideration in the formation of the board. The board includes the managing director and non-executive members (members who do not hold positions in the bank).

1. Fulfilling the legal requirements contained in the Banking Law No. (94) for the year 2004 and the Companies Law No. (21) for the year 1997 and its amendments.
2. It should be noted that among the members of the Board there are at least four independent members.
3. It should not have been an employee of the bank or one of its related parties during the previous three years.
4. There is no relation to any of the members of the board or the senior management or any of the parties related to them up to the fourth degree.
5. He/she shall not receive any salary or financial amount from the Bank, except for what he/she receives in return for his/her membership in the Board.
6. He/she shall not be a partner or employee for the external auditor during the three years preceding the date of his/her nomination for membership in the Board, and that he/she is not related to the partner responsible for the audit process.
7. He/she shall not be a major shareholder in the bank or his/her representative.
8. He/she shall not be a lawyer or a legal advisor to the bank or an auditor of the bank's accounts.
9. That he/she or any company in which he/she is a member of its board, owner or major shareholder in it does not obtain credit from the bank in excess of 5% of the bank's capital, and that he/she is not a guarantor of credit from the bank whose value exceeds the same percentage.
10. He/she shall not be a member of the boards of more than 5 joint stock or public companies in his/her personal capacity in some of them and in his/her capacity as a representative of a legal person in other such companies.
11. He shall not be an administrator or employee of another bank or managing director of another bank.
12. Does not own, directly or indirectly (including the ownership of shareholder family members or related parties) more than 5% of the shares of any company of any kind.
13. Two thirds of the members of the board of directors must have significant banking experience and must have first university degree and certificates.
14. He/she shall not be a member of the board of directors of any bank inside Iraq, its managing director, its regional manager, or an employee in such bank, unless the latter bank is affiliated with that bank.
15. A member of the board of directors may be a non-resident or non-Iraqi.

Article (9): Organizing the work and meetings of the Board of Directors.

1. The Board of Directors meets within seven days from the date of its formation and elects by secret ballot from among its members the Chairman of the Board of Directors and a Vice Chairman to replace him/her in his/her absence for a renewable one year.
2. The board of directors meets at least once every two months at the invitation of its Chairman or at the request of any of its other members to ensure the comprehensiveness of the topics presented or whenever needed.
3. Board meetings shall be held at the bank's management headquarters or any other place inside Iraq chosen by the Chairman if it is not possible to hold the meeting in its management headquarters, provided that all the members of the board are present, or a written apology for those who are not present.
4. The quorum is calculated after thirty minutes from the date of the Board meeting, and it is held in the presence of 50% of the members or (4) members, whichever is more.
5. Board's members must attend its meeting in person. In the event that it is not possible to attend in person, the Board's member can attend via video or telephone, after the approval of the Chairman of the council. This method can be used if the member does not attend for two times maximum during the year.
6. The decisions of the Board are taken by the absolute majority of the members present, and if the votes are equal, the side in which the Chairman is in shall prevail.
7. The executive management shall provide detailed information to the members of the board of what will be presented at the meeting at least (5) working days prior to the date of the board meeting, and the Chairman of the board must verify this before the meeting.
8. The policy of the bank must include the presence of independent members of the board in order to ensure the availability of objective decisions and to maintain a level of oversight to ensure the balance of the effects of all parties, including the executive management and the main shareholders, and to ensure that the decisions taken are in the interest of the bank.
9. The responsibilities of the members of the board of directors are specific and clear in line with the relevant legislation, and the bank shall provide each member of the board with a letter explaining the member's rights, responsibilities and duties.
10. All banking operations that require the approval of the Board shall be clarified in writing, including:
 - The authority of the Board to grant banking facilities in excess of a certain amount.
 - The authority of the board regarding dealings with related parties.
11. Board members keep abreast of developments within both the bank and the local and international banking sectors, and the bank provides the members with an appropriate summary of the bank's business.
12. Communication of the members of the Board and its committees is available with the Executive Management.
13. The bank establishes an organizational structure that shows the administrative hierarchy (including committees of the board and executive management). It discloses to the public the part of the organizational structure that shows the higher levels of management therein.
14. The Secretary of the Board ensures that the board's members follow the procedures established by the Board, and that information is transferred between the members of the Board, its committees, and the executive management, in addition to setting the dates of the Board's meetings and writing the minutes of the meeting and keeping it with the secretary, where it is recorded in a special record with a summary of the discussions and suggestions that took place in the meeting and to record the opposite opinions and being signed by the attending members, and the minutes are recorded audio and video, and the board must formally and in writing define the job and duties of the board's secretary in line with the level of responsibilities referred to above, and any decision regarding its appointment or removal is taken by the board unanimously.

15. Copies of the Board's minutes certified by the Companies Controller shall be a valid document for submission to any party, provided that the Controller keeps a copy of at its end.
16. In the event that the number of absences reached (3) or more times during the year, the Chairman of the board must notify the General Assembly of the bank to take what it deems appropriate.
17. The Board's decisions are issued by the signature of all its members present in person (or through video or telephone) and the Board's secretary on the minutes of the meeting and sealed with the bank's seal within a period not exceeding ten working days.

Article (10) Specializations and Powers of the Board of Directors

The Board of Directors undertakes the administrative, financial, planning, organizational and technical tasks necessary for the conduct of the bank's activity, except for those within the competences of the General Assembly, and in particular, the following specializations are:

1. Adopting the bank's plans, including the vision, mission, goals, strategic objectives and core values of the bank in light of the directions of the general assembly, and then directing the executive management to implement the plans while monitoring their performance, evaluating and modifying them if necessary to ensure the implementation of those plans.
2. Supervising the executive management and following up its performance, ensuring the soundness of the bank's financial conditions and its solvency, and adopting appropriate policies and procedures to supervise and periodically monitor the bank's performance.
3. Adopting a policy to monitor and review the performance of the executive management, by setting Key Performance Indicators and Key Performance Result to identify, measure and monitor performance and progress towards achieving the institutional objectives of the bank.
4. Ensuring that the bank has policies, plans and work procedures that include all its activities and in line with the relevant legislation, that they have been circulated at all administrative levels, and that they are reviewed regularly.
5. Defining the "Core Values" of the bank, drawing clear lines of responsibility and accountability for all the bank's activities, and instilling a high culture of ethical standards, integrity and professional behavior for the bank's administrators.
6. Take responsibility for the integrity of all the bank's procedures, including its financial conditions and reputation, and the responsibility for implementing the requirements of the Central Bank of Iraq, as well as the requirements of the supervisory authorities and other regulatory bodies related to its work, and taking into account the "stakeholders", and that the bank is managed within the framework of legislation, and within the internal policies of the bank, and that effective supervision is always available on the bank's activities.
7. Following up the implementation of the decisions of the General Assembly.
8. Presenting the final accounts and lists (financial statements) of the bank and a comprehensive report on the results of implementing the annual plan to the General Assembly for discussion and approval.
9. Ensuring compliance with international standards in all activities and operations of the bank.
10. Discussing and approving the annual plans and budgets related to the bank's activities and following up on their implementation.
11. Forming board committees and selecting their members from among board members or others.
12. Approving the selection of candidates for executive management positions, periodically evaluating and following up their performance, supervising and holding them accountable, and obtaining from them a clear explanation and interpretation of the issue of accountability.

13. Appointing and terminating the services of the internal auditor, determining its fees and remuneration, and evaluating its performance.
14. Adopting internal control and control systems for the bank and reviewing them annually, and ensuring that the Sharia internal auditor in Islamic banks, in coordination with the external auditor, i.e. the auditor, reviews these systems at least once annually.
15. Ensuring the independence of the external auditor (the auditor) initially and continuously.
16. Adopting an effective risk management strategy and monitoring its implementation, as it includes the level of acceptable risks, ensuring that the bank is not exposed to high risks, that the board is aware of the bank's operational work environment and the associated risks, and that it ensures that there are adequate instruments and infrastructure for risk management in the bank, and able to identify, measure, control and monitor all types of risks to which the bank is exposed.
17. Ensuring that the bank applies the basic principles of "Good Governance", as stated in the "Rules of Good Governance and the Internal Control System" contained in Instructions No. (4) of 2010.
18. Ensuring the existence of Management Information Systems is sufficient and reliable and covering all activities of the bank.
19. Spreading the culture of governance in the bank and encouraging all employees and the executive management to apply its practices and attend training courses in this regard, in addition to work on the bank to encourage its customers to implement the rules of governance in their institutions, as well as verifying that the bank's credit policy includes the application of corporate governance for its customers, especially companies. So that risks are assessed by weaknesses and strengths, according to their practices in the field of corporate governance.
20. Ensuring that the bank complies with the standards of Sustainability Principles.
21. Taking measures to create a clear separation between the powers of shareholders, who have a "qualified holding" on the one hand, and "executive management", on the other hand, with the aim of promoting sound corporate governance, and it must find appropriate mechanisms to limit the effects of shareholders, who have a "qualified holding".
22. Adopting an organizational structure for the bank that defines a clear administrative hierarchy.
23. Determining the executive powers of the bank's business, whether the managing director or the executive management, whether it is for banking operations, granting credit, or signing drafts, checks, guarantees, borrowing, mortgage and letters of guarantee.
24. Adopting a replacement plan for the executive management of the bank and reviewing it annually.
25. Ensuring that the executive management is informed of the official website of the Anti-Money Laundering Office with regard to the lists of freezing terrorist funds on a daily basis, and informs the Anti-Money Laundering Office and the Banking Control Department at the Central Bank immediately in the event that there is a person whose name has been included in the list of freezing terrorist funds.
26. The performance of the board as a whole must be evaluated at least once annually and the results of the evaluation should be presented to the general assembly, by relying on a system for evaluating the work of the board, provided that this system includes, as a minimum, the following:
 - 26.1 Setting specific goals, and determining the role of the Board in supervising the achievement of these goals, in a way that can be measured periodically.
 - 26.2 Determining key performance indicators for the managing director and the executive management (Key Performance Indicators and Key Performance Result) that can be extracted from the bank's strategic objectives and annual work plans and used to measure the performance of the executive management periodically.
 - 26.3 Communication between the Board and shareholders, and the necessity of such periodic communication.

26.4 Periodicity of board meetings with the executive management.

26.5 The member's role and duties in the board's meetings and the extent of its commitment to attend, as well as comparing its performance with other members, and a "feed back" must be obtained from the concerned member, in order to improve the evaluation process.

27. The bank shall provide the Central Bank of Iraq with information related to the members of the boards or bodies of directors and the executive departments of its subsidiaries inside and outside Iraq, on a semi-annual basis, as well as when there is any amendment thereto.
28. The board of directors should supervise the quality of disclosure, transparency and information about the entire bank.

Article (11) The Role of the Chairman of the Board (Chairman)

The Chairman executes the following:

- A. Establishing a constructive relationship between the board, on the one hand, and the executive management of the bank, and between the bank, shareholders and other stakeholders, on the other.
- B. Encouraging expressing opinions on issues that are discussed in general, and those around which there is a difference in views among members, while encouraging discussion and voting on those issues.
- C. Ensuring that members sign the minutes of the meetings.
- D. Determining and meeting the needs of the board members with regard to developing their expertise and continuous learning, and allowing the new member to attend the Orientation Program to learn about the activities of the bank.
- E. Serving an invitation to the Central Bank to attend the meetings of the General Assembly before a sufficient period of no less than (15) days in order to be able to nominate a representative.
- F. Ensuring that the Central Bank of Iraq is informed of any material information.

Article (12) Board Relationship with the External Auditor.

1. The Board shall ensure regular rotation of the external auditor among the auditing offices and their subsidiaries, affiliates, or affiliated companies in any way, every five years as a maximum from the date of election.
2. The board shall take appropriate measures to address weaknesses in the internal control and control systems or any other points revealed by the external auditor.
3. The Board's contribution to strengthening the role of the external auditor to ensure that the financial statements reflect the bank's performance in all important respects and show its true financial position.
4. Emphasizing the importance of effective communication between the external auditor and the audit committee of the bank.

Article (13) Board relationship with stakeholders:

1. The board should provide a specific mechanism to ensure communication with "stakeholders" through effective disclosure and providing relevant information about the bank's activities to "stakeholders" through the following:
 - 1.1 General Assembly meetings.
 - 1.2 Annual Report and Governance Report.

- 1.3 Quarterly reports that contain financial information, in addition to the Board's report on the trading of the bank's shares and its financial position during the year.
- 1.4 The bank's website.
- 1.5 A report on the Shareholder Relations Department.
2. The need to vote separately on each issue raised in the annual meeting of the General Assembly is taken into account.
3. After the end of the annual meeting of the General Assembly, reports are prepared to inform the shareholders about the conversations made during it, the results and decisions, including the voting results, the questions raised by the shareholders, and the responses of the executive management thereon.
4. The Board shall ensure the effectiveness of the dialogue with the shareholders by providing the following factors as a minimum:-
 - 4.1 Ensuring that the members of the Board are aware of the shareholders' views, especially with regard to the Bank's strategies and governance systems.
 - 4.2 Holding periodic meetings with major shareholders, non-executive and independent members to get their opinions and views on the Bank's strategies.
 - 4.3 Disclosure in the annual report of the steps that have been taken by its members, specifically the non-executive members, in the context of reaching an agreement and a common understanding of the opinions of major shareholders regarding the bank's performance. The chairmen of the "Auditing" and "Nomination and Incentives" committees, and any other committees emanating from the Board, must attend the annual meetings of the General Assembly.
5. The external auditor or its representative must attend the annual meeting of the general assembly, submit the report and answer inquiries.

Article (14) Disclosure and Transparency

1. The Board shall ensure the publication of financial and non-financial information concern the stakeholders.
2. The annual report of the bank must include a text stating that the board is responsible for the accuracy and adequacy of the bank's financial statements and the information contained in that report, and for the adequacy of the internal control and control systems.
3. The board must ensure the bank's compliance with the disclosures set by the International Financial Reporting Standards, the instructions of the Central Bank of Iraq and other relevant legislation and instructions, and to ensure that the executive management is aware of the changes that occur in International Financial Reporting Standards and other relevant standards.
4. The board must ensure that the bank's annual report and quarterly reports include disclosures that allow stakeholders to view the results of operations and the bank's financial position.
5. The disclosure is made in both languages (Arabic and English).
6. The Board shall ensure that the annual report includes the following, as a minimum:
 - 6.1 The organizational structure of the bank, indicating the committees emanating from the board of directors.
 - 6.2 Summary of the duties and responsibilities of the Board committees.
 - 6.3 The information concern the "stakeholders" set out in the bank's corporate governance manual, and the extent of its commitment to implement the provisions of the manual.
 - 6.4 Ensuring that the bank's corporate governance report is prepared and included in the annual report.

- 6.5 Information about each member of the Board, in terms of his/her qualifications and experience, the amount of his/her contribution to the bank's capital, his/her membership in the Board's committees, the date of his/her appointment and the extent of his/her commitment to attend the Board meetings. As well as, any memberships he/she holds in the boards of other companies, and the remunerations in all forms and types obtained from the bank for the previous year, if any, as well as loans granted to him/her by the bank, and any other transactions that took place between the bank and the member, or between the relative parties related to.
- 6.6 Information on risk management, including its structure, nature of its operations, and developments.
- 6.7 The number of times the Board and its committees meet and the number of times each member attends these meetings.
- 6.8 The Code of Conduct for the Business Administration and the names of each of the Board members, the Executive Management and those who have resigned during this year.
- 6.9 A summary of the bank's remuneration policy, and all forms of remuneration granted to the executive management separately, for the previous year.
- 6.10 Names of the shareholders who own (1% or more) and related groups that own (5% or more) of the bank's capital, specifying the real beneficiary of these contributions, or any part of them, and clarifying whether any of these contributions is pledged in whole or in part.
7. Publishing a report on corporate governance practices.
8. The bank's sustainability policy and what has been done thereto.

Article (15) Shareholders' equity

1. Shareholders have access to all relevant information that enables shareholders to exercise their rights to the fullest on a regular basis and without delay.
2. Participation and vote in the meetings of the general assembly, taking into account the topics that the shareholders wish to raise in such meetings.
3. Discussing the topics registered on the general assembly's agenda and directing inquiries to the members of the board.
4. Electing the members of the bank's board of directors.
5. Providing shareholders with information about the place and date of the general assembly meeting and its agenda 30 days before the date of the meeting.
6. Nominating, electing and terminating the service of the members of the Board of Directors, inquiring about their qualifications, experiences and ability to perform their work, discussing the amount of the remunerations and financial incentives received by the members of the Board of Directors and senior executives, in addition to their right to submit any inquiry to the Board regarding any unprofessional practices.
7. Small shareholders have the right to elect one or more members to represent them on the Board of Directors based on the cumulative voting mechanism.

Article (16) Managing Director

Appointing the Managing Director:

1. The bank's board of directors appoints one of its members as a Managing Director.
2. The Managing Director who is appointed must fulfill the following conditions as a minimum:
 - 2.1 All stipulated conditions must fulfill the legal requirements contained in the Banking and Companies Law No. (94) of 2004.

- 2.2 Full-time management of daily banking operations.
- 2.3 The Managing Director must have at least a bachelor's degree in banking and finance, business administration, accounting, economics, law, or specializations related to banking. .
- 2.4 Enjoy with integrity and good reputation.
- 2.5 Having actual work experience in the executive management of banks in accordance with the regulations and instructions issued by the Central Bank of Iraq.
3. The Managing Director shall be responsible for implementing the decisions of the board, within the powers granted to the Managing Director.
4. It is not permissible to combine the positions of the Chairman of the Board and the Managing Director.

Article (17) Board Secretary Responsibilities

The Board shall define the duties of the board secretary to include the following:

1. Attending all Board meetings, taking note of all deliberations, suggestions, objections, reservations, and how to vote on the Board's draft resolutions, with the need to adopt audio and video or any means it deems appropriate to ensure the recording of all notes mentioned during the Board meeting, with the recording, keeping and documentation of records and minutes of Board meetings after being signed by the board members. As well as the sound and picture.
2. Presenting the topics, after preparing a brief summary of each topic, stating the opinion of the executive management and the various committees therein, linking documents and priorities to each topic, and submitting them to the Chairman of the Board for approval of their presentation and bringing up such topics.
3. Provide each member with an adequate summary of the bank's business, upon election, appointment or upon request.
4. Negotiating with any new member and with the assistance of the legal advisor or director of legal affairs of the bank about the duties and responsibilities of the board, especially with regard to legal and regulatory requirements to clarify the tasks, powers and other matters related to membership, including the membership period and meeting dates, as well as providing the new member with the texts of laws related to the work of banks and the instructions issued by the Central Bank of Iraq, which pertains to the work of the Board, including what is stated in the Corporate Governance manual issued by the Central Bank of Iraq.
5. Organizing the dates and meetings of the Board with the approval of the Chairman of the Board.
6. Ensuring that the members of the Board sign the minutes of the meetings and follow up on the implementation of the decisions taken by the Board, and any topics that were postponed in a previous meeting.
7. Receiving the reports of the committees associated with the Board and presenting them to the Board.
8. Numbering the resolutions sequentially from the beginning to the end of the year (resolution number, session number, date).
9. Ensuring the compliance with all legal requirements in relation to the affairs of the Board.
10. Providing the Central Bank of Iraq with the minutes of the signed meetings.
11. With regard to shareholders and meetings of the General Assembly: communication with shareholders and assistance in organizing the meetings of the General Assembly.
12. Maintain shareholder data.
13. Preparing for the meetings of the General Assembly and cooperating with the committees formed by the Board.
14. Serving invitations to shareholders, the Central Bank of Iraq and the Companies Controller.
15. Ensuring the attendance of the members of the Board of Directors, members of the executive management and the external auditor.
16. Maintain records of General Assembly meetings.

Section Five:

Sharia Board


Article (18) The Sharia Supervisory Board of the Bank

1. The General Assembly of the bank appoints with the approval of the Central Bank of Iraq and pursuant to Islamic Banks Law No. (43) of 2015 a board called Sharia Supervisory Board. The term of membership for the members of the Sharia Supervisory Board is (3) years, renewable with the approval of the General Assembly of the Bank, after obtaining the approval of the Central Bank of Iraq.
2. It is not permissible to dissolve the Sharia Board or to remove any member of it, except by a reasoned decision of the Board and by a two-thirds majority of the members and after giving a warning with justifications and determining the period of correction and after listening to the views of the Sharia Supervisory Board or some of its members to be removed and obtaining the approval of the General Assembly of the Bank and the approval of the Central Bank of Iraq.
3. Sharia Board Meetings:
 - 3.1 The Sharia Board shall hold at least (6) meetings per year to follow up on the Sharia compliance with the bank's operations.
 - 3.2 The Sharia Board shall meet with the Board, the Sharia Audit Division and the External Auditor on a quarterly basis to discuss matters of mutual interest.
 - 3.3 Members of the Sharia Board must attend their meetings in person, and if it is not possible to attend in person, a member of the Board can attend through video or telephone, after the approval of the Chairman of the Board, and this method can be used in the event that the member does not attend for a maximum of two times during the year.
 - 3.4 In the event that the number of absences reached 3 or more times, the Chair of the Sharia Board must notify the general assembly of the bank to take what it deems appropriate.
4. Duties and Responsibilities of the Sharia Board:
 - 4.1 Monitoring the bank's business and activities in terms of their compliance and non-violation of the provisions of Islamic Sharia, and following up and reviewing the operations to verify that they are free of any legal/Sharia prohibitions.
 - 4.2 Expressing an opinion and approving all contracts, transactions, agreements, products, services, investment policies, and policies regulating the relationship between shareholders and investment account holders, including the distribution of profits and charging of losses after their approval, avoiding revenues on investment accounts, and the mechanism for disposing of non-sharia compliant income.
 - 4.3 Reviewing and approving the policies and guidelines related to the provisions of Islamic Sharia, to ensure the adequacy and effectiveness of the internal Sharia control system in the bank.
 - 4.4 Providing guidance to the bank's employees and spreading awareness of the principles and provisions of Islamic Sharia and Islamic financing tools.
 - 4.5 Proposing the necessary Sharia training courses for the bank's employees, in coordination with the Human Resources Department.
 - 4.6 Attending the meetings of the general assembly of shareholders and presenting the report of the Sharia Board from its Chairman or whomever the chairman delegates from among the members of the board with the aim of approving it.
 - 4.7 Forming and expressing an opinion on the extent of the bank's commitment to the provisions and principles of Islamic Sharia, so that the commission does the following:

- 4.7.1 Reviewing and approving the annual internal Sharia audit report, which is submitted to the Audit Committee by the Internal Sharia Audit Division.
 - 4.7.2 Issuing a semi-annual and annual report on Sharia compliance, which includes the effectiveness of internal Sharia controls, and any weaknesses in the systems of Sharia controls and internal Sharia control that have a material impact, provided that the semi-annual report is submitted to the Board, the annual report to the General Assembly of Shareholders, and a copy of each of them to be sent to the Central Bank of Iraq
 - 4.8 Expressing an opinion on the bank's articles of incorporation and articles of association, and ensuring their consistency with the provisions and principles of Islamic Sharia.
 - 4.9 Recommending the Board of Directors to appoint and remove the Director of the Internal Sharia Audit Division, provided that the final decision is taken after the approval of the Central Bank of Iraq.
 - 4.10 Expressing an opinion on the legitimacy of the sources of the amount paid to increase the capital and considering that a condition for its validity.
 - 4.11 The Chair of the Sharia Board shall ensure that the Central Bank of Iraq is informed of any material information that may negatively affect the suitability of any of the members of the Board.
 - 4.12 Writing the guideline that includes the method for submitting the fatwa request by the bank's administrative institutions to the Sharia Supervisory Board, and the conduct of its meetings, the mechanism for ensuring actual compliance with any decision issued by the board, and ensuring the written and electronic record of the documentation.
5. The Sharia Board shall have a secretariat that performs the following tasks:
- 5.1 Determining the dates of the meetings of the Sharia Board, in coordination with the Chairman of the Board, and inform the members.
 - 5.2 Verifying that the executive management, and sufficient time before the meeting of the Sharia Board of providing a detailed information about the activities of the bank and on topics related to the meeting.
 - 5.3 Attending and recording all meetings of the Sharia Board, deliberations, suggestions and any reservations raised by any member, and that all these minutes are kept and documented appropriately.
 - 5.4 Recording the name of the member who is absent at the meeting, and stating whether the member has an excuse or not, and this is mentioned in the meeting minutes.
 - 5.5 Following up on the implementation of the fatwas and decisions taken by the Sharia Board, and provide the Internal Sharia Audit Department, and the Compliance Department for briefing and action, and following up on discussing any issues that were postponed in a previous meeting.
 - 5.6 Presenting the minutes of the Sharia Board meeting when requested by the internal Sharia auditor and the inspectors of the Central Bank of Iraq.
 - 5.7 Maintaining the reports of the Internal Sharia Audit Division and following up on the implementation of the recommendations of the Sharia Committee in this regard.

Article (19) The suitability of the members of the Sharia Supervisory Board in Islamic banks.

- 1. The Educational attainment of the Chairman of the Sharia Board should not be less than a master's degree and from a recognized university in the field of Sharia sciences, including jurisprudence of transactions, and the Chairman should have an experience of no less than (3) years in issuing fatwas and Sharia rulings or (4) years after graduation in the field of teaching or scientific research in the field of Islamic finance.
- 2. The members of the board must have at least a bachelor's degree in the field of specialization.

- 
3. The Central Bank may object to the nomination of any person for membership in the Board, if the Central bank finds that such member does not fulfill any of the conditions set forth in Clause (2) of this Article, or any other reason it deems appropriate for non-approval.
 4. Whenever is a need to appoint members to the Board from residents outside Iraq, it is required that their number does not exceed (2) out of (5) members.
 5. The Chairman and members of the Board must be independent, and this is achieved through the following:
 - 5.1 That the members of the Board should not be a shareholder in the bank, a member of the bank's board of directors, or an employee of the bank's subsidiaries during the past two years from the date of appointment.
 - 5.2 One of the members of the Sharia Supervisory Board of the bank must not be a relative of the first or second degree with senior executives from current or previous employees (current and past years) in the bank or its affiliate companies.
 - 5.3 That no member of the Board is a member of the Sharia Supervisory Board of any other Islamic bank inside Iraq.

Section Six:

Committees

Article (20) Board's Committees

1. General Provisions

- A- The Board, in order to increase its effectiveness, forms committees emanating from it with specific objectives that are delegated powers and responsibilities by it for a specified period of time, and so that these committees submit periodic reports to the Board as a whole. Note that the presence of these committees does not absolve the board of direct responsibility for all matters related to the bank.
- B- The principle of transparency is adopted in the appointment of members of the Board's committees. The names of the members of these committees and a summary of their duties and responsibilities are disclosed in the annual report of the Bank.

2. The general framework for the formation and following-up of the work of the committees emanating from the Board:

- 2.1 The board must form committees from among the members of the board that defines its goals and delegates powers therefrom, with the obligation not to take any decision without the vote of the bank's board of directors. The Board should also carry out continuous following-up of the committees' work to ensure the effectiveness of their role, with the possibility of merging some committees according to their competencies, provided that there is no conflict between the duties and responsibilities of these committees.
- 2.2 Ensuring that the committees can easily obtain sufficient information from the administration, and any committee can obtain consultations and technical support from external sources, provided that this is with the knowledge and approval of the Board.
- 2.3 Transparency must be taken into account in the formation of the committees, with the names of their members being disclosed in the annual report of the Board, the committees formed by the Board, their work mechanism and the scope of their supervision.
- 2.4 Specialization, experience, impartiality and no conflict of interests must be taken into account in forming committees.
- 2.5 Following-up the committees associated with the Board of Directors and present their reports and results to the Chairman of the Board.
- 2.6 Each committee must have an internal charter that outlines its tasks, scope of work and procedures, including how to prepare reports to the Board of Directors, and what is expected of members of the Board of Directors from their membership in those committees.
- 2.7 The bank must provide the Central Bank of Iraq with a list that includes all the committees affiliated with the work of the Board, their tasks, work procedures, and the names of their members.
- 2.8 The decision of the committee emanating from the Board is chosen by the Board's secretary or any executive employee chosen by the committee, except for the director of the department concerned with the work of the concerned committee.
- 2.9 The Chairman of each committee formed must be an independent board member.

3. Organizing the work of the committees:

- 3.1 The committees hold periodic meetings, and their number is determined according to the nature of the work of each committee.
- 3.2 The committee's rapporteur shall control the minutes of the committee's meetings and write down its recommendations according to the powers granted thereon.

- 3.3 The committee's Chairman presents the minutes of its meetings and its recommendations to the board of directors for being voted thereon.
- 3.4 The committees undertake to submit periodic reports and an annual report on the results of their work to the Board of Directors.
- 3.5 Temporary committees are formed by a decision of the Board or at the request of the Central Bank of Iraq. The decision determines the composition of the committee, the scope of its work, its responsibilities, and the period required to complete its work.
4. Audit Committee
- 4.1 The committee consists of at least three members, provided that they are independent members of the board of directors, consultants, or experts in the field of finance or auditing with the approval of the Central Bank of Iraq. And the chairman of the committee must be an independent member of the board of directors, and the Chairman may not be a member of any other committee emerged by the board.
- 4.2 The Board must ensure that all members of the Committee have appropriate financial capacity and experience, including:
- 4.2.1 Experience in audit practices and procedures.
 - 4.2.2 Understand the means and methods of internal auditing and procedures for preparing financial reports.
 - 4.2.3 Awareness of the accounting principles applicable to the financial statements of the bank.
 - 4.2.4 Understand the duties and importance of the audit committee.
 - 4.2.5 The ability to read, understand and evaluate the bank's financial statements, including the balance sheet, income statement, cash flow statement, and statement of changes in shareholders' equity.
- 4.3 Committee's duties and powers:
- 4.3.1 The scope, results, and adequacy of the internal audit, the following-up of the external auditor, and the discussion of its reports.
 - 4.3.2 Accounting issues that have a material impact on the bank's financial statements.
 - 4.3.3 Internal control and control systems in the bank.
 - 4.3.4 Ensuring compliance with International and Anti-Money Laundering Standards in all activities and operations of the bank. The committee has the right to investigate, research and audit any operations, procedures or regulations that it considers to affect the strength and safety of the bank.
 - 4.3.5 Recommending to the Board of Directors the approval of the bank's organizational structure, creating or canceling organizational formations or merging them, and defining and amending the tasks and functions of these formations.
 - 4.3.6 Reviewing the annual training and development plan and following up on its implementation, as well as reviewing the executive management reports on the status of human resources.
 - 4.3.7 Reviewing policies and instructions related to appointment, promotion, resignation and termination of service for all bank employees, including the executive management, taking into account the provisions of the laws in force.
 - 4.3.8 Preparing a quarterly report on the committee's work after the end of each fiscal quarter to be submitted to the Board of Directors.
 - 4.3.9 Auditing and approving the accounting procedures, the annual audit plan, and the accounting controls.

- 4.3.10 Ensuring the bank's compliance with the disclosures specified by the International Financial Reporting Standards (IFRS), the instructions of the Central Bank of Iraq and the relevant legislation and other instructions, and to ensure that the executive management is aware of the changes that occur in the International Financial Reporting Standards and other relevant standards.
- 4.3.11 Include in the annual report of the bank a report on the adequacy of the internal control and control systems with regard to "financial reporting" so that the report includes, as a minimum, the following:
- 4.3.11.1 A paragraph clarifying the responsibility of the internal auditor, in cooperation with the executive departments, for setting internal control and control systems on financial reporting in the bank and for maintaining those systems.
 - 4.3.11.2 A paragraph about the framework that the internal auditor has used and evaluated to determine the effectiveness of the internal control and control systems.
 - 4.3.11.3 Ensuring compliance with international standards in all activities and operations of the bank.
 - 4.3.11.4 Ensuring that there is a unit to report money laundering and terrorist financing linked to the Board, and it implements the policies of special operations (Know Your Customer (KYC)) and the tasks and duties arising therefrom, including that the office prepares periodic reports on its activity.
 - 4.3.11.5 Monitoring FATCA (Foreign Account Tax Compliance Act).
 - 4.3.11.6 Disclosure of weaknesses in the internal control and control systems that lead to the possibility that it will not be possible to prevent or detect an incorrect statement that has a material effect.
 - 4.3.11.7 A report from the external auditor stating its opinion on the effectiveness of the systems and internal control.
- 4.3.12 The relationship of the committee with the external auditor: The committee bears direct responsibility for the following:
- 4.3.12.1 Suggesting qualified persons to act as external auditors or recommending their dismissal.
 - 4.3.12.2 Providing direct means of communication between the external auditor and the committee.
 - 4.3.12.3 Approving the scope of the audit with the external auditor.
 - 4.3.12.4 Receiving audit reports and ensuring that the bank's management takes the necessary corrective actions in a timely manner towards problems identified by the external auditor
- 4.3.13 The relationship of the committee with the internal auditor: The committee bears direct responsibility for the following:
- 4.3.13.1 Appointing the internal auditor or recommending of his/her dismissal, promotion or transfer after obtaining the approval of the Central Bank of Iraq.
 - 4.3.13.2 Studying and approving the internal audit plan.
 - 4.3.13.3 Request reports from the Director of Internal Audit.
 - 4.3.13.4 The Audit Committee shall verify the availability of sufficient financial resources, and a sufficient number of qualified human resources, to administer and train the internal audit.
 - 4.3.13.5 The audit committee shall ensure that the internal audit staff are not assigned any executive tasks and ensure their independence.

- 4.14 Monitor compliance and combat money laundering and terrorism financing with the laws, regulations and controls applicable to the bank and submit a report thereon to the Board.
- 4.15 Reviewing the reports submitted by the bank to the Central Bank of Iraq.
- 4.16 Submit the annual report to the board of directors to disclose the bank's activities and operations.
- 4.17 The committee must have the authority to obtain any information from the executive management, and it has the right to summon any director to attend any of its meetings without them having the status of membership of the committee, provided that this is stipulated in the internal audit charter.
- 4.18 The committee meets with the external auditor, the internal auditor, the compliance department official, and the anti-money laundering official at least four (4) times a year, without the presence of any of the executive management members.
- 4.19 The committee reviews and monitors the procedures that enable the employee to confidentially report any error in the financial reports, or any other matters. The committee ensures that the necessary arrangements are in place for the independent investigation and protection of the employee, and ensures that the results of the investigation are followed up and treated objectively.
- 4.20 Reviewing anti-money laundering and terrorist financing reports.
- 4.21 Following-up the implementation of business continuity and disaster recovery programs in coordination with the Information and Communications Technology Committee.

5. Risk Management Committee

5.1 The Committee shall be composed of at least three non-executive members, provided that the Chairman of the Committee is an independent member, and the members of the Committee must have experience in risk management, practices and related issues.

5.2 Committee's tasks

- 5.2.1 Reviewing the bank's risk management strategy before it is approved by the Board.
- 5.2.2 Reviewing the credit policy and submitting recommendations thereon to the Board of Directors for the purpose of approval, as well as supervising the implementation of the credit policy proposed by the committee.
- 5.2.3 Monitoring the "credit risks" borne by the bank, whether with regard to the "standard approach" or the "internal rating-based approach", operational risk, "market risk", "supervisory review", and "market discipline" contained in the decisions that issued by Basel Committee on Banking Supervision.
- 5.2.4 Determine credit limits that exceed the authority of the managing director.
- 5.2.5 Monitoring the bank's ability to avoid liquidity risks, including liquidity standards at the decisions of Basel III.
- 5.2.6 Recommending the abandonment of activities that cause risks to the bank and that it does not have the ability to face.
- 5.2.7 Ensuring the bank's compliance with the regulations, instructions and policies related to risk management.
- 5.2.8 The committee meets at least four times a year, and any member of the senior management may be invited to attend its meetings in order to clarify some issues and topics that the committee deems important to clarify.
- 5.2.9 Periodically reviewing the risk management policy proposed by the bank's senior management and submitting recommendations thereon to the Board of Directors for adoption and approval.

- 5.2.10 Supervising senior management's procedures towards compliance with the bank's approved risk policies.
- 5.2.11 Continuous communication with the director of the risk department and obtaining periodic reports from the director on matters related to the current situation of risks in the bank and the culture of risks, in addition to reports on the limits and ceilings set, any violations thereof, and risk avoidance plans.
- 5.2.12 Overseeing the capital and liquidity management strategies and all related risk management strategies to ensure their compatibility with the approved risk framework in the bank.
- 5.2.13 Receiving periodic reports from the committees emanating from the executive management (credit, investment, information and communication technology).
- 5.2.14 Reviewing the investment policy and submitting recommendations thereon to the Board of Directors for the purpose of approval, as well as supervising the implementation of the investment policy proposed by them.
- 5.2.15 Evaluating the performance of the investment portfolio in terms of return and risk in relation to the bank's internal and external investments, and continuous monitoring of the indicators and movement of the local and external capital markets.

6. Nominations and Incentives Committee:

6.1 The committee consists of at least three members, provided that they are independent or non-executive members, and the chairman of the committee is an independent member.

6.2 Committee's tasks

- 6.2.1 Determining the persons qualified to join the membership of the Board of Directors or senior management in the bank, except for the identification of persons qualified to work as the Director of Internal Audit, which is the responsibility of the audit committee.
- 6.2.2 Preparing the remuneration policy and submitting it to the Board of Directors for approval and supervision of its implementation, taking into consideration the following:
 - 6.2.2.1 To be in line with the principles and practices of sound governance and to ensure that the long-term interests of the bank dominate over immediate or short-term considerations.
 - 6.2.2.2 The extent to which the bank achieves its long-term goals in accordance with its approved strategic plan.
 - 6.2.2.3 Ensuring that the policy of granting remunerations takes into account all types of risks to which the bank is exposed, so that the profits achieved are balanced with the degree of risks involved in banking activities and business.
 - 6.2.2.4 The remuneration and salary policy should include all levels and categories of the bank's employees, a periodic review of the policy for granting remunerations, salaries and incentives, or when the Board of Directors recommends this, making recommendations to the Board to amend or updating this policy, and conducting a periodic evaluation of the adequacy and effectiveness of the policy for granting remunerations, salaries and incentives to ensure the achievement of its stated goals.
 - 6.2.2.5 Develop a replacement policy to secure the positions of the executive management in the bank, provided that it is reviewed at least annually, so that the bank is ready to deal normally with any change that may occur to the occupants of the executive management positions without affecting the bank's performance and the continuation of the implementation of its operations.
 - 6.2.2.6 Ensure the preparation of plans and the provision of programs to continuously train and qualify the members of the Board of Directors to keep

pace with all important developments in the field of banking and financial services (commercial and Islamic).

6.2.2.7 Supervising the process of evaluating the performance of human resources in the bank, especially the executive management, reviewing relevant reports and making recommendations in this regard to the Board of Directors.

7. Corporate Governance Committee:

7.1 The committee consists of three members, the majority of whom are independent and non-executive members, provided that the committee includes the chairman of the board.

7.2 Reviewing the implementation of the corporate governance manual issued by the Central Bank of Iraq, and supervising the preparation of the corporate governance manual for the bank according to the size of the bank's operations and the multiplicity and diversity of its activities, updating it and monitoring its implementation.

7.3 Supervising and preparing the corporate governance report and including it in the annual report of the bank.

7.4 Ensuring that the bank applies the principles of corporate governance and its sound practices.

Article (21) Committees Emanating from the Executive Management

The senior management forms committees to assist it in carrying out its tasks and submit reports to the relevant Board of Directors committees periodically to ensure the effectiveness of oversight and supervision. Executive management committees are formed from at least three members, and board members can attend as observers to assist them. The committees send the dates of their meetings to the Board of Directors before the meeting so that any of the board members can attend as an observer if the member wishes.

First: Credit Committee

A. The committee meets at least once a month or whenever needed.

B. Committee's tasks

1. Supervising and following up the implementation of the instructions issued by the Central Bank of Iraq regarding the basis for assessing the creditworthiness of customers and the formation of provisions.

2. Following-up credit exposures in line with the provisions of Islamic Sharia in cooperation with two divisions:

1.1 Credit Records Accounts

1.2 Customer affairs (consumers and beneficiaries).

1.1.1 Following up the movement of loan repayments.

4.2.1 Cooperating with the legal department in following up the collection of non-performing loans.

5.2.1 Working to recover the written off debts as much as possible.

6.2.1 Simplify the Murabaha granting procedures

Second: Investment Committee

- A. The committee meets at least once a month or whenever needed.
- B. Committee's tasks
 1. Dividing the investment portfolio into "equity" and "debt instruments", including treasury transfers and government bonds, as well as the components of the portfolio from foreign instruments, in line with the provisions of Islamic Sharia.
 2. Proposing operations of buying and selling or keeping the components of the investment portfolio and following up on their implementation in case the Board of Directors approves it.
 3. Review the periodic indicators used by the Treasury and Investment Department or the investment units and submit the necessary proposals in this regard.

Third: Information and Communication Technology Committee

- A. The committee meets at least once a month or whenever needed.
- B. Committee's tasks
 1. Reviewing and developing the uses of information and communications technology, and verifying information and communications security.
 2. Verifying the adequacy of the infrastructure, information and communication systems, electronic networks and software used in the bank.
 3. Verifying the adequacy of the measures taken to keep up-to-date backup copies of information for the purposes of facing the possibility of disasters and loss of databases.
 4. Following-up on electronic customer service techniques.
 5. Ensuring the quality and appropriateness of the management of the bank's internal network and its website on the Internet.
 6. Following-up the implementation of business continuity programs and recovery from disasters and crises.
 7. Ensuring the preparation of the Information and Communication Technology policies and procedures manual, work to update it, and submit the necessary proposals to develop the manual in accordance with work requirements.
 8. Ensuring that there is a separation of duties between the Information and Communication Technology Department, on the one hand, and the other departments in the bank, on the other.

Section Seven

Executive Management

Article (22) Suitability of the Members of the Executive Management


1. The members of the executive management must have the highest degree of credibility, integrity, efficiency, the necessary banking experience and the ability to commit and devote time to the work of the bank, and it is the responsibility of the Board and the Nomination and Incentives Committee to ensure the same.
2. Executive Management Framework:

- 1.1 The executive management consists of the officials in the bank.
- 1.2 The Executive Management exercises its powers and performs its responsibilities in accordance with the delegation and decisions issued by the Board of Directors.
- 1.3 The Executive Management is responsible to the Board of Directors for achieving the Bank's objectives and operations.
- 1.4 Board's members are not entitled to interfere in the day-to-day operational work of the bank.
3. Executive management tasks:
 - 3.1 Preparing and implementing strategic and operational plans, after being approved by the Board of Directors, ensuring their effectiveness, and submitting proposals for their development or modification.
 - 3.2 Implementing the relevant laws, regulations, instructions, policies and directives issued by the Board of Directors with integrity, honesty and responsibility.
 - 3.3 Providing recommendations on making important decisions related to banking operations, including managing deposits, loans, and investments, and providing local and international services in terms of requirements, implementation method, and continuous improvement.
 - 3.4 Reviewing plans for expansion of new branches and offices and work on their implementation.
 - 3.5 Preparing and developing policies and procedures for all work details.
 - 3.6 Preparing an organizational structure for the bank that includes defining duties and responsibilities, distributing them to organizational formations, and defining vertical and horizontal lines of communication.
 - 3.7 Preparing the necessary annual budgets for the bank.
 - 3.8 Commitment to the internal control systems to protect the bank's funds and assets, and to ensure the good and sound conduct and financial information, and work to implement it.
 - 3.9 Developing appropriate systems to manage risks of all kinds.
 - 3.10 Providing the internal and external control authorities with the reports and information they request and facilitating the completion of their supervisory and inspection tasks.
 - 3.11 Ensuring the compliance with international standards in all activities and operations of the bank.
 - 3.12 Submitting periodic reports to the Board of Directors on the progress of the Bank's business.
 - 3.13 Maintaining adequate and sound records and information systems for all activities and decisions and support them with the necessary documents.
 - 3.14 Discussing and following up the workflow in the bank and proposing solutions.
 - 3.15 Coordinating between different departments to ensure compatibility, harmony and integration.
 - 3.16 Determining the needs of human resources, and following-up their training to develop their performance.
 - 3.17 Monitoring the financial position of the bank and its realization of appropriate profits, within the framework of the proper exchange between risk and return, and in implementation of its annual plan.

- 3.18 Viewing the official website of the Anti-Money Laundering Office regarding the daily freeze lists of terrorist funds, and inform the Anti-Money Laundering Office and the Banking Control Department of the Central Bank of Iraq immediately in the event that there is a person whose name has been included in the terrorist funds freeze list.
4. The need to obtain the approval of the Board when appointing any of the members of the executive management in the bank.
 5. Conditions that must be met when appointing the executive management of the bank:
 - 5.1 Not to be a member of the Board of Directors of any other bank, unless the other bank is affiliated with that bank.
 - 5.2 To be dedicated to manage the business of the bank.
 - 5.3 To have a first university degree, as a minimum, in financial or banking sciences, business administration, finance, accounting, economics, law, or information technology related to the bank's business.
 - 5.4 Having an experience in the field of banking business or related business, which is not less than five years, except for the position of managing director, whose experience in the field of banking business or business related to the activities of the financial sector must not be less than ten years.
 6. A no-objection must be obtained from the Central Bank of Iraq, before appointing any member of the executive management, and therefore the bank, before appointing any member of the executive management, must obtain from the candidate for appointment his/her CV, accompanied by documents, educational certificates, experience certificates, and certificates of good conduct and behavior, and other necessary supporting documentation.
 7. The administrator, whom the Central Bank of Iraq has dismissed from his position, may not become a member of the board of directors of any bank, or an managing director of any bank, or any bank branch, or work as an administrator or within the executive management of any other bank.
 8. The Central Bank of Iraq must be notified of the dismissal or resignation of any employee in the executive management within (3) days, and it must be notified of the reasons for such dismissal or resignation.
 9. A person who was employed in the executive management of a bank whose license has been revoked or it was decided to liquidate the employee during the term of office, may not work in the executive management of any other bank unless the Central Bank of Iraq decides otherwise.

Article (23) Conflict of Interest

1. The board of directors must ensure that due diligence is exercised to arrange the affairs related to the bank's business and the affairs related to personal business in a manner that avoids a conflict of its personal interests with the interests of the bank.
2. The Board shall adopt policies and procedures to address conflicts of interest, which may arise when the bank is part of a banking group, and disclose in writing any conflict of interest that may arise from the bank's association with companies within the group.
3. The Board shall adopt policies and procedures for dealing with the persons concerned, including the definition of these parties, taking into account the legislation, policies, procedures, and the mechanism of monitoring them, so that they are not allowed to be exceeded.
4. The supervisory departments in the bank must ensure that the transactions of the related persons have been carried out in accordance with the approved policies and procedures, and the Audit Committee must review and monitor all the transactions of the related persons, and inform the Board of these transactions.
5. The Board shall adopt the policies and charter of professional conduct rules and circulate them to all employees to include, as a minimum, the following:
 - 1.1 None of the employees exploiting internal information of the bank for their personal benefit.

- 
- 1.2 Rules and procedures regulating dealing with related persons.
 - 1.3 Handling cases that may create a conflict of interest.
 6. The Board must ensure that the executive management enjoys high integrity in the conduct of its work, implements the approved policies and procedures, and avoids conflict of interests.
 7. Board's members must obtain important information in a timely, clear and accurate manner in order to be able to fulfill their duties and perform their duties to the fullest.
 8. The bank shall provide the Central Bank of Iraq with the number of shares pledged by the bank's shareholders who own (1%) or more of the bank's capital, and the party to whom these shares are pledged.

Section Eight:

The Supervisory Departments of the Bank

First: Risk Management Department

- Determining the risks facing the bank, evaluating and categorizing them in line with the strategic objectives of the bank, in addition to following up on the effectiveness and efficiency of the internal control system and its ability to face risks that prevent the achievement of objectives, and working to update the risk register at the level of the bank periodically.
- Risk control and reduction to the acceptable levels.
- Drawing realistic and future strategies for all concerned economic sectors and following up their implementation with the aim of setting plans in which the proportion of future bank contributions to these sectors is determined.
- Maintaining the reputation of the bank and the trust of customers.

Tasks and responsibilities:

- Supervising the verification of the efficiency and effectiveness of procedures related to risk management.
- Overseeing the identification of risks facing the bank and preventing the bank from achieving its desired goals.
- Supervising the identification of risks facing the bank and ensuring the adequacy of the internal control procedures that prevent its occurrence.
- Supervising the monitoring of the effectiveness and efficiency of the internal control system and its ability to face risks that prevent the achievement of the Bank's objectives.
- Supervising the classification of risks according to their importance and likelihood of occurrence.
- Coordinating with the Internal Audit Division, provided that the annual audit plan includes high-risk departments.
- Supervising the modification and updating of the risk register based on the changes resulted during the audit year.
- Participating in conferences and attend seminars and workshops within its competence.
- Reviewing periodic reports, following up on the appropriateness of applying the standard ratios, and submitting the necessary recommendations to the Risk Committee.
- Ensuring that operational risk management policies are adopted and followed, for example, through insurance or emergency planning.
- Participating in determining the percentage of concentrations of the economic sectors related to the bank's activities, with the aim of setting plans in which the percentage of future bank contributions to these sectors are determined and evaluating the bank's current portfolio on them by studying the volume of transactions executed within the sector and evaluating the performance of approved programs in accordance with the bank's credit policies and determining the degree of deviations to work on correcting it in accordance with the set strategy, through the implementation of all administrative supervisory, analytical and evaluative tasks on the proposed programs.
- Following-up on the excesses and control the credit concentrations and ensure that they are within the instructions and the limits established in the credit policy.
- Following-up the analyzes of the items of the financial position (items inside and outside the balance sheet) and the income statement on a monthly basis in

terms of performance indicators and risks, comparing indicators with competitors, reviewing the risks of existing and proposed assets products or any modifications in this regard in terms of their impact on the safety and growth of the income statement, liquidity and economic value of the bank.

- Determining risk appetite / risk tolerance in light of developments in the financial position and growth plans.
- Monitoring the extent of compliance with the acceptable RISK APPETITE.
- Preparing (STRESS TESTING) in accordance with the requirements of the International Basel Committee and the instructions of the Central Bank of Iraq, and reviewing these tests and submitting recommendations to the Risks Committee to take the necessary measures.
- Reviewing credit policies and all risk policies on an annual basis.
- Reviewing the risks of existing and proposed asset products or any modifications in this regard in terms of their impact on the integrity and growth of the income statement, liquidity and economic value.
- Examining and reviewing the analyzes of the opponent's risks in terms of pricing and the competitive position towards competitors for the same products and presenting recommendations and submitting them to the Risks Committee.
- Following up on linking risks with control procedures (building a risk matrix), where risks are linked to control measures to identify risks according to the degree of control over them (risk reduction).
- Determining the risks of modern strategies (such as business development).
- Reviewing the main Indicators Risks Key and determining the matters that must be reviewed by the Board of Directors periodically (semi-annually).
- Reviewing the maximum limits for transactions with other banks and the maximum limits for transactions in countries when necessary and at least once a year in coordination and participation with the relevant departments.
- Notifying the director of the Sharia Supervisory Board of any breach that leads to a violation of the provisions of Islamic Sharia.
- Assessing of new material risks affecting the bank.
- Ensuring and following up on the development of policies that include the limits and powers to be dealt with, and their application after approval by the Bank's Board of Directors.
- Providing the Risks Committee with periodic reports on the risks that the Bank faces or may be exposed to, and any violations of laws and regulations, and monitoring the extent to which the Executive Management adheres to the approved risk management policies.
- Spreading awareness about the concept of risk management for all departments and units of the bank.
- Implementing the policies and procedures approved by the Board of Directors.
- Measuring the performance of direct subordinates and supervising the measurement and evaluation of the performance of the department's employees.
- Coordinating with the General Department of Human Resources to attract competencies to work within the department, and to train employees.
- Providing direction, guidance and support to employees to ensure the smooth flow of work and achieve distinct levels of performance.
- Holding periodic meetings and whenever necessary with department officials and employees, and following up on the implementation of recommendations.

- Working on instilling the bank's values and ethics in the department's employees and enhancing belonging to the bank.
- Performing the tasks assigned to it in its field of work.

Risk Management Division

1. Credit and Investment Risk Division

- Creating an effective control system through an independent evaluation of the bank's policies, practices and procedures related to granting credit and investment financing.
- Ensuring that there are approved standards and criteria for grants and funding.
- Ensuring that the bank follows appropriate policies, practices and procedures regarding the quality of assets and the adequacy of credits and reserves allocated to cover credit facilities and investments.
- Risks arising from the possibility that one of the parties will not fulfill its obligations.

Tasks and responsibilities

- Participating in determining the level of acceptable credit risk in relation to:
 - The expected rate of return on operations is commensurate with its risks.
 - High credit risk at the level of each transaction or at the level of the portfolio as a whole.
 - The risk is concentrated around financing instruments, a particular economic activity, or a specific geographical distribution.
- Assessment of the quality of assets and the adequacy of the funds and reserves allocated to cover any losses.
- Evaluate the performance of financiers, suppliers, speculators and participants.
- Assessment of credit risk independently (each Islamic financing instrument separately) due to the unique characteristics of each financing instrument.
- Determine the risks that lead to the emergence of credit risk.
- Develop a contingency plan to avoid changes in cash flow patterns, which leads to changes in previously agreed profit distribution ratios.
- Ensuring the availability of a management information system that enables the identification of risks based on credit portfolios and investments.
- Following-up on the excesses and control the credit concentrations and ensuring that they are within the instructions.
- Identifying and monitoring risks arising in the credit cycle and proposing an exposure limit to mitigate these risks.
- Determining risks and making arrangements that aim to protect the assets and profits of the bank and reduce losses to the lowest levels, measure them and work on preparing procedures to ensure their control.
- Reviewing credit policies on an annual basis.
- Studying the maximum limits for transactions with other banks and the maximum limits for transactions in countries when necessary and at least once a year and determining the risks associated with it.

- Evaluate each new product and activity in relation to the credit risk associated with it.
- Establishing structures for credit limits to avoid concentration of risks with another party, sector or geographic area.
- Designing a provisioning structure that has the ability to absorb losses before they reach the capital and in light of the instructions of the Central Bank of Iraq.
- Suggesting permissible and enforceable guarantees and warranties.
- Assessment of financing and investment portfolios, using qualitative and quantitative analysis to build a strong and quality portfolio that helps enhance the bank's leadership.
- Conduct periodic performance evaluations to detect early signs of obstacles or potential deterioration in performance and put in place measures to correct business paths.
- Dealing with all aspects related to granting credit or financing investments.
- Diagnosing, measuring, following-up and preparing reports about credit risk.
- Preparing reports and providing data and information related to the department and submitting them to the direct supervisor.
- Contributing and participating in setting goals, general policies and plans related to the department.
- Supporting the line manager and carrying out any work assigned to in its field of competence.

2. Market Risk and Liquidity Risk Division:

- Ensuring that the bank is able to fully meet all its contractual obligations.
- Identifying, measuring and monitoring the liquidity risk.
- The availability of the basic elements of liquidity management from the information systems for managing and controlling liquidity centrally, analyzing the net financing needs in the framework of alternative scenarios, diversifying the sources of financing and managing the bank's assets, obligations and priorities.
- Maintaining an adequate level of liquid assets to prevent incurring unacceptable costs or losses. **Tasks and responsibilities**
- Participating in the development of the liquidity management strategy.
- Working on developing and providing training on liquidity risk and awareness within the bank to enhance the culture of risk awareness.
- Providing guidance and advice to the relevant units in managing these risks within the bank's own controls and standards.
- Assisting in creating a plan and manual for the Risk Management Department.
- Preparing dedicated reports to monitor liquidity risk.
- Liquidity measurement and monitoring, static gap analysis, as well as following-up measurement of Net Stable Funding Ratio (NSFR) / Liquidity Coverage Ratio (LCR).
- Assessing and managing the liquidity position under a range of scenarios, taking into consideration the stressful factors related to both the market in general and the bank in particular.

- Establishing a future financing structure that will close the liquidity gap as measures to mitigate liquidity risks.
- Contributing to the development of a continuous control mechanism for the management of investment accounts / current accounts, in a manner that contributes to maintain the stability of these accounts with the bank, and maintaining and developing it.
- Analyzing the accounts risks individually, for example (current accounts, unrestricted investment accounts, restricted investment accounts) and informs the board of directors/managing director on the results, especially when preparing quarterly budgets.
- Participating in the development of scenarios for severe liquidity situations and propose financing programs (including the ability of shareholders to provide additional capital when necessary / a plan to sell fixed assets with minimal losses or lease back some of them /...).
- Submitting periodic recommendations on the bank's ability to maintain stable financing.
- Participating in preparing the plan for the department's activities and follow up its implementation.
- Supervising the employees working in the department and following up the evaluation of their performance and achievements according to indicators and performance evaluation criteria on the job.
- Attending periodic meetings and whenever necessary with department officials and employees and following up on the implementation of recommendations regarding its field of work.
- Preparing reports and providing relevant data and information and submitting it to the line manager.
- Contributing and participating in setting goals, general policies and plans related to the department.
- Supporting the line manager and carrying out any work assigned to in it field of competence.

3. Operational Risk Division

- Leading and managing the Bank's "Operational Risk" with a view to mitigating exposure to "Operational Risk" (including ensuring business continuity) by developing and implementing an appropriate framework, strategy and policies and ensuring their implementation.
- Avoid/limit incurring losses resulting from ineffective or failed internal processes, people, systems and external events.
- Ensuring that employees understand the existence of operational risks and are aware of their avoidance, and spread a culture that encourages understanding of these risks that may be exposed during the exercise of tasks, and that the work environment encourages disclosure of operational accidents and work collectively to avoid it and reduce its effects.
- Ensuring that effective internal control and audit procedures are adopted, operational risk management policies and contingency planning are followed.
- Maintaining the reputation of the bank and the trust of customers.

Tasks and responsibilities

- Developing and delivering operational risk awareness training within the Bank to enhance a culture of risk awareness.
- Providing guidance and advice to the units in managing those operational risks within the controls and standards of the Bank.
- Following-up on the operational risks that the branches/organizational units may be exposed to on a daily basis in all its forms.

- Assisting in creating a risk management plan and manual.
- Establishing a mechanism to control risks and self-assessment, and this activity covers the various business of the bank and its critical activities associated with it.
- Building a database of all operational faults and losses that occur in the bank according to the requirements of Basel II in order to analyze it and reduce the recurrence of its occurrence in the future by evaluating and raising the efficiency of the supervisory procedures applied in the bank.
- Awareness of the necessity and obligation of every unit of the bank to inform the Risk Management Department of faults and operational losses that occur and the treatments that have been adopted, so that every faults that occurs is documented and written, whether or not it leads to losses.
- Review of effective operating losses.
- The Operations Risk Division shall analyze the historical data of operational errors and losses in order to identify indicators that enable the bank to predict the risks of future losses (basic risk indicators or early warning indicators), and to provide senior management with the results of the analysis on a regular basis.
- Evaluating the supervisory procedures applied in the bank to reduce the occurrence of these faults and operational losses and raise the necessary recommendations to raise their efficiency.
- Implementation of the control risk self-assessment (CRSA) system, in addition to the sound practices for managing operational risks in accordance with Basel II requirements.
- Classifying the bank's assets that are subject to risk according to importance and reviewing this classification of the types of assets to establish a classification commensurate with the senior management's view of the importance of the bank's assets.
- Identifying the risks in the bank as a single unit, reviewing it, and ensuring the possibility of covering any new or emergency risks resulting from providing new services, changing the nature of the work of a particular unit, or changing laws ..., as well as the possibility to cancel any risks that have been terminated or not necessary.
- Conducting a review of the "impact" and "probability" for each risk identified in the bank as a result of changes and improvements in the bank's business and thus changing the foundations and data on which these ratios were established, as it may be reduced, increased, or changed the extent of the impact.
- Reviewing the results of the self-assessment examinations for each unit of the bank and provide the senior management with the results of this review, as well as reviewing the appropriateness of the applicable control procedures and any proposed corrective control measures that can be added to reduce risks in the bank.
- Conducting periodic visits to all units in order to review the examinations carried out by the units and to ensure the credibility of the results of their examinations.
- Assessing the risks of any new service that the bank intends to provide so that the risks of this service are identified and the control measures to reduce these risks and present it to the Risk Committee for evaluation and making the necessary recommendations to the senior management.
- Providing the Board of Directors and the Managing Director with quarterly reports on the status of the control environment of the bank as a whole and on the effects of the risks that have been identified, as well as on the distribution of the impact of risks on the various assets of the bank according to the approved classification.
- Providing the Board of Directors and the Managing Director with reports on any emergency and new risks, an analysis of these risks, and an effort to add it to the risk portfolio or if it was previously identified within the bank's risks.
- Obtaining from the Risk Committee the needed and necessary reports in order to identify any risks and any control measures, which must be reconsidered and studied.

- Reviewing the various effects of risks and the changes that may occur to these risks as a result of changing surrounding conditions, and ensuring that there is control over it.
- Working on and ensuring the maintenance and development of the emergency plan in cooperation with the competent units to ensure the effectiveness of this plan and its readiness at the level of the bank as a whole and at the level of each unit separately.
- Analyzing and studying the insurance needs of the bank and studying the feasibility of insurance on some activities to cover its risks, as well as working on amending special coverages to secure some aspects of the bank's activity, (and in a manner that does not violate the provisions of Islamic Sharia).
- Identifying, assessing and monitoring risks arising in the financing cycle and proposing an exposure limit to mitigate these risks.
- Preparing reports to monitor risks.
- Reviewing operating losses, including: fines - thefts - fraud operations -, and analyze it, find out their causes and work to mitigate it.
- Developing an executive plan and following-up on its implementation.
- Supervising the working employees and following-up the evaluation of their performance and achievements according to the indicators and criteria for evaluating performance in the job.
- Holding periodic meetings and whenever necessary with department officials and employees, and following-up on the implementation of recommendations.
- Preparing reports and providing data and information related to the department and submitting it to the line manager.
- Contributing and participating in setting goals, general policies and plans related to the Department.
- Supporting the line manager and carrying out any work assigned to in it field of competence.

4. **Sharia Non-Compliance Risks Division**

- Protection from the bank being subjected to penalties or depriving it from carrying out a specific activity for committing a violation of non-compliance with the law.
- Participating in documenting the fatwas of the Sharia Board and its decisions in coordination with the Sharia Audit Division.
- Determining the levels of compliance with the provisions of Sharia and coordinating with the Sharia Audit Division to determine the remedies to raise the level of compliance.

Tasks and responsibilities

- Documenting the Division's fatwas and decisions and examining samples of financing contracts to discover the risks of non-compliance with Sharia.
- Determining the levels of compliance with the provisions of Sharia and coordinating with the Sharia Audit Division to determine the treatment procedures that would raise the level of compliance on a quarterly basis.
- Preparing a table of the risks of violating the Sharia and the decisions of the Sharia Supervisory Board for each instrument/formula separately, and contributing to inform employees of it, to raise awareness of the provisions of Islamic sales and transactions.
- Evaluating any new product after its approval by the Sharia Supervisory Board, before the executive management begins offering it to customers, to examine the risks of non-compliance with Sharia that may arise from it.

- Examining the income arising from non-compliance with Sharia in coordination with the Sharia Supervisory Board, and submitting a detailed report on it, including areas that could lead to the emergence of this income in order to undermine it.
- Participating in preparing a code of conduct for the bank's employees and those associated with it from account holders and investors, with regard to explain the risks of non-compliance with Sharia, in order to achieve Islamic financial inclusion and in coordination with the Sharia Supervisory Board.
- Identifying and monitoring the risks arising in the credit cycle in terms of Sharia non-compliance and proposing an exposure limit to mitigate these risks.
- Taking into consideration the risks of non-compliance with Sharia in the work of the bank's subsidiaries, and considering it one of the areas of emergence of risks of non-compliance with Sharia.
- Diagnosing, measuring, following-up and preparing reports on the risks of Sharia non-compliance.
- Preparing reports and providing data and information related to the department and submitting it to the direct supervisor.
- Contributing and participating in setting goals, general policies and plans related to the department.
- Supporting the line manager and carrying out any work assigned to in it field of competence.

Board's Relationship with Risk Management

1. Ensuring that the risk management monitors the bank's executive departments with the specified levels of acceptable risks.
2. The Board shall verify that abuses are addressed at acceptable levels of risk, including the accountability of the concerned executive management regarding such abuses.
3. The board should ensure that the risk management periodically conducts "stress tests" to measure the bank's ability to withstand shocks and face high risks, and that the board has a major role in approving the hypotheses and scenarios (scenes) used, discussing the results of the tests and adopting the actions to be taken based on these results.
4. The board must adopt the internal assessment methodology for the adequacy of the bank's capital, in line with the decisions of the "Basel Committee on Banking Supervision" and any other international standards, so that this methodology is comprehensive, effective, and able to identify all risks that may face the bank, and takes into account the bank's strategic plan, the capital plan, and periodically reviewing this methodology, verifying its application, and ensuring that the bank maintains sufficient capital to meet all the risks it may be exposed to.
5. Before approving any expansion of the bank's activities, the Board shall take into consideration the risks involved and the capabilities and qualifications of the risk management staff.
6. The board shall ensure the independence of risk management in the bank, by submitting its reports to the risk management committee, and granting this department the necessary powers to enable it to obtain information from other bank's departments and cooperate with other committees to carry out their tasks.
7. The policies approved by the Board of Directors must include the acceptable limits of risks that the bank may be exposed to, with the need for those limits to be consistent with the extent of the bank's ability to accept risks and the extent to which that is appropriate with the size of the capital.
8. Measuring the continuity of the appropriateness of the work steps related to the measurement, following-up and control of risks, and making any adjustments thereto, if necessary, according to market developments and the environment in which the bank operates.
9. Use appropriate and effective information and communication systems, especially with regard to the process of monitoring and controlling risks, and ensuring the efficiency of the information management system so as to provide the senior management of the bank, the risk committee and the Board with periodic re-

ports (monthly at least) that reflects the extent of the bank's commitment to the specified risk limits and clarifies the violations of these limits, their causes, and the necessary corrective plan.

10. Risk management tasks consist, at a minimum, of the following:

10.1 Studying and analyzing of all types of risks faced by the bank.

10.2 Preparing the risk management framework in the bank and presenting it to the Board.

10.3 Implementing the risk management strategy in addition to developing policies and work procedures to manage all types of risks.

10.4 Developing methodologies for identifying, measuring, monitoring and controlling each type of risk.

10.5 Submitting reports to the Board, through the Risk Management Committee, and a copy to the Executive Management, including information on the actual risk system for all the bank's activities, in comparison with the "acceptable risk document" and following-up on the treatments' procedures of negative deviations (Risk Appetite).

10.6 Verifying the integration of risk measurement mechanisms with the "used management information systems".

10.7 Presenting recommendations to the Risk Management Committee on "the bank's exposure to risks", and recording cases of exceptions to the risk management policy.

10.8 Providing the necessary information about the bank's risks to be used for disclosure purposes.

Second: Money Laundering and Terrorist Financing Reporting Section

- Supervising the Anti-Money Laundering and Terrorist Financing Program.
- Preventing and limiting the use of the bank as a means to pass money laundering activities that have been criminalized by local and international legislation.
- Finding mechanisms and frameworks that guarantee confronting crimes, particularly with regard to combating money laundering and terrorist financing operations.
- Maintaining professional values and best practices in banking business.
- Strengthening the relationship with the regulatory authorities.

Tasks and responsibilities

- Contributing to the preparation of the department's policies and procedures and the necessary updates thereto.
- Contributing to the preparation of the department's work plan and following-up on its implementation after its approval.
- Investigating cases of suspected money laundering and terrorist financing and inform the concerned authorities.
- Saving the suspicions after being convinced that they are incorrect and submit the suspicion reports after verifying its conformity with the Iraqi Financial Intelligence Unit (Anti-Money Laundering and Terrorist Financing Office).
- Submitting annual reports on US tax compliance ((FATCA(Foreign Account Tax Compliance Act)) through the department official as a (Responsible Officer) with the (US Internal Revenue Fund).

- Submitting periodic reports to the bank's management, risk committee and regulatory authorities.
- Creating a basic database that includes all the instructions issued by the regulatory authorities related to its work.
- Developing, implementing and maintaining a comprehensive training plan for suspicious operations on an annual basis to cover all new employees in the bank's work groups.
- Cooperating with internal departments in updating and developing procedures and standards for controlling suspicious cases.
- Following-up on decisions / instructions issued by the relevant internal and international government agencies and ensure that the concerned branches and departments comply with the relevant anti-money laundering regulations.
- Monitoring outgoing/incoming foreign remittances; And take the necessary actions in this regard in coordination with the relevant departments and branches.
- Working on creating an automated system that serves anti-money laundering procedures and helping in classifying customers according to risks.
- Ensuring the effectiveness of the applied program.
- Coordinating with the Financial Institutions Department regarding opening accounts for foreign banks with the bank and vice versa to complete the verification procedures for these banks in accordance with the principle of "know your customer" / prepare an (AML Questionnaire).
- Cooperating with relevant departments to respond to correspondent banks' inquiries related to (AML-CTF Internal Policies / Customer Due Diligence / Know Your Customer / Transaction Monitoring).
- Coordinating with the "Swift" department regarding incoming and outgoing remittances that are held in the (Filtering Suite) system, verifying it, and preparing a report on any similar transactions.
- Ensuring that international administrations follow the sound procedures when conducting transactions with banks, financial institutions and companies in other countries, in accordance with the local and external controls related to combating money laundering and terrorist financing.
- Coordinating with the Remittance Department in responding to the inquiries of foreign banks about correspondence and data related to remittances before preparing responses thereto.
- Coordinating with the internal audit to take the necessary measures to amend the deficiencies in the application of the controls and instructions of the internal regulation for combating money laundering in the bank's branches.
- Developing, updating and implementing systems, procedures and controls for combating money laundering and terrorist financing.
- Receiving employee reports directly on any suspicious operations or activities, analyze it and assess the need to forward it to the Financial Intelligence Unit.
- Keeping detailed records of suspicious cases.
- Maintaining updated information of entities and individuals on banned lists.
- Keeping abreast of developments in money laundering and terrorist financing systems, practices and techniques, and updating indicators related to combating money laundering and terrorist financing.
- Keeping abreast of developments and international best practices and applying it where possible.
- Spreading awareness about the concept of suspicion and cases of money laundering and organized crime for all bank's departments and units.

- Implementing the policies and procedures approved by the Board of Directors.
- Measuring the performance of direct subordinates and supervising the measurement and evaluation of the performance of the department's employees.
- Providing direction, guidance and support to employees to ensure the smooth flow of work and achieving distinct levels of performance.
- Holding periodic meetings and whenever necessary with the department's officials and employees, and following-up on the implementation of recommendations.
- Working to instill the bank's values and ethics in the department's employees and to enhance the belonging to the bank.
- Performing the tasks assigned to it in its field of work.

Money Laundering and Terrorist Financing Reporting Division

1. Due diligence and monitoring alerts:

- Monitoring and controlling alerts to protect the bank from money laundering and terrorist financing operations and preventing its exploitation as channels for passing suspicious operations or any other illegal activities, in addition to enhancing the integrity and reputation of the bank to ensure the protection of its customers.
- Following-up on unusual and suspicious operations on the electronic system and raise suspicions to the (Department) for reporting money laundering and terrorist financing.

Tasks and responsibilities

- Following-up with the liaison officers in the branches or any other employee to obtain the necessary information to support the investigation of unusual and suspicious transactions.
- Working according to an internal reporting program according to special procedures and special forms.
- Commitment to continuous monitoring of operations and reporting suspicious cases using a special system.
- Referring the suspicion to the Money Laundering and Terrorist Financing Reporting (Department) when there are logical reasons and documents supporting the suspicion process.
- Documenting all data and documents necessary in the investigation process and submitting them with suspicion, regardless of its nature (true/false).
- Keeping detailed records of suspicious scenarios.
- Continuing to maintain the updating of information from entities and individuals on the approved banking system.
- Keeping abreast of the latest developments in the systems, programs, practices and techniques of everything related to money laundering and combating terrorist financing.
- Update suspicion indicators.
- Working in accordance with the principle of due diligence and enhanced and according to standardized models, starting from low-risk customers, passing by high-risk customers, and ending with correspondent banks.

- Reviewing the US tax compliance reports for the purpose of declaring thereof and presenting it to the department director.
- Keeping abreast of developments and international best practices and applying it where possible.
- Commitment to keep the records for a period stipulated in the law.
- Commitment to update customer data and documents according to the mechanism established in the Anti-Money Laundering and Terrorist Financing Law, in addition to the instructions of the Tax Compliance Law - FATCA.
- Commitment to continuous monitoring of operations and reporting of suspected cases, using a special system for money laundering.
- Spreading awareness about the concept of “combating money laundering and terrorist financing” to all bank’s departments and units.
- Implementing the policies and procedures approved by the Board of Directors in its field of work.
- Providing guidance, counseling and support to employees involved in entering and updating data and opening accounts to achieve distinct levels of performance.
- Performing the tasks assigned to it in its field of work.
- Carrying out any other tasks assigned to by the direct official and supporting it to achieve the goals.

2. **Supervision, Data Analysis and Training Division**

Supervising the adequacy, effectiveness and extent of the implementation of the anti-money laundering and terrorist financing program applied in the bank.

Tasks and responsibilities

- Suggesting updates, policies and procedures for combating money laundering and terrorist financing operations.
- Studying new products and services in terms of their exploitation in money laundering and terrorist financing operations before they are circulated.
- Developing plans and training programs for new and current employees.
- Preparing and presenting workshops in its field of work for employees to achieve distinguished levels of performance.
- Reviewing the assessment of the risks of money laundering and terrorist financing operations applied in the bank.
- Reviewing the data extracted from the applicable systems, and the reports received from the various departments / divisions within the field of competence and analyzing them for the purposes of developing work and applying best practices.
- Reviewing suspicious indicators and scenarios applied in (BANK BI AML REPORTING SYSTEM) program, analyzing and correcting it to improve the results issued thereby.
- Communicating with all branches, sections and divisions to prepare the required reports from the Board of Directors and the regulatory authorities.
- Spreading and awareness about the concept of “money laundering and terrorist financing” at all bank’s departments and units.
- Implementing the policies and procedures approved by the Board of Directors in the field of combating money laundering and terrorist financing.
- Performing the tasks assigned to it in its field of work.

- Carrying out any other tasks assigned to by the direct official and supporting it to achieve the goals.
- The job requires mostly office work and sometimes field work.
- The job requires a computer with automated systems and Internet search engines, in line with the bank's policy in data protection and information security.
- The job requires complete confidentiality and independence.
- The job requires a good knowledge.

The Board's relationship with the Anti-Money Laundering and Terrorist Financing Department

1. The Board, through the Audit Committee and the control departments or departments in the bank, must ensure that the bank takes due diligence measures towards customers in accordance with the Anti-Money Laundering and Terrorist Financing Law No. (39) of 2015 and the instructions issued thereunder.
2. The Board must ensure that the bank keeps the following records, documents and deeds for a period of (5) five years from the date of the end of the relationship with the customer or from the date of closing the account or executing a transaction for an occasional customer, whichever is longer, and ensure that they are made available to the competent authorities as soon as possible, which includes as a minimum the following:
 - 2.1 Copies of all records obtained through the transaction verification due diligence process, including documents identifying the identities of customers of actual beneficiaries, accounting files and business correspondence.
 - 2.2 All records of local and international transactions, whether actually executed or that there was an attempt to implement it, provided that these records are detailed to the extent that allows re-representing the steps of each transaction separately.
 - 2.3 Records related to the risk assessment or any information scheduled for conducting or updating it.
3. Adopting programs to prevent money laundering and terrorist financing that include:
 - 3.1 Conducting an assessment of the money laundering and terrorist financing risks to which they are exposed.
 - 3.2 Adopting internal policies, procedures and controls that are appropriate for implementing the obligations imposed in the field of combating money laundering and terrorist financing.
 - 3.3 Independent audit to test the effectiveness of policies and procedures and their implementation.

Third: Sharia Compliance and Compliance Control Division

- Determining and monitoring the bank's implementation of all compliance rules.
- Protect the bank from the risk of non-compliance, and ward off reputational risk.
- Establishing sound values and practices within the bank.
- Strengthening the relationship with the regulatory authorities.

Tasks and responsibilities

- Supervising the development of the department's plan.

- Ensuring that the bank and its internal policies comply with all laws, regulations, instructions, orders, code of conduct, standards and sound banking practices issued by local and international supervisory and supervisory authorities.
- Ensuring the receipt of all laws, regulations and circulars issued by the supervisory authorities and following up on all the bank's departments in their implementation.
- Ensuring the receipt of all laws, regulations and circulars issued by the supervisory authorities and following up on all the bank's departments in their implementation.
- Reviewing all policies and procedures of the bank's departments and divisions and ensuring their inclusion and compliance with the laws, instructions and internal and external controls and approval.
- Ensuring that all written and approved policies and procedures of the bank are consistent with the applicable compliance rules.
- Contribute and assist the Board of Directors in the implementation of corporate governance.
- Identifying and deal with all compliance risks and monitor their development.
- Developing policies and procedures for the department, and following up on updating the policies and procedures periodically and according to work requirements.
- Providing advice and observations on what is required to work in a way that protects the bank from the risks of non-compliance in the daily operations of the bank.
- Participating in Board of Directors meetings and sign its minutes.
- Conducting educational and awareness-raising courses for employees, aiming at proper compliance and mitigating risk.
- Studying correspondent banks to open banking relationships with regard to compliance requirements.
- Spreading the culture of compliance in raising awareness of the importance of compliance.
- Coordinating with the legal department regarding the review of contracts and forms to ensure their compliance with the bank's internal policies and regulations.
- Ensuring that new banking products comply with laws, regulations and publications.
- Submit periodic reports to the Board of Directors on the executive management in relation to compliance monitoring.
- Raising monthly and periodic reports to the relevant authorities.
- Adhere to confidentiality requirements at work.
- The Compliance Director shall review the following reports and express an opinion on them:
 - Internal audit reports.
 - External audit reports.
 - Central Bank of Iraq inspection reports.

- Preparing the guideline for compliance and the risk guide for non-compliance.
- Supporting the Board of Directors and carrying out any work assigned to it in the field of compliance.

Sharia Compliance and Compliance Control Division

1- Control and Compliance Division

- Verifying and ensuring the extent to which the bank's internal operations comply with all laws, regulations, instructions, orders, code of conduct, standards and sound banking practices issued by local and international supervisory authorities in order to enhance the values of integrity and discipline in following sound professional practices within the bank to maintain its reputation.
- Raising awareness of the bank's management and its employees about the controls and clarifying the risks arising from non-compliance, as well as identifying and defining methods for measuring non-compliance.

Tasks and responsibilities

- Implementing the approved compliance monitoring policies, and receives reports of disclosure or suspicions of violations of laws and/or regulations, instructions and orders, or it's non-compliance with work procedures.
- Preparing reports related to the results and causes of violation of certain laws or policies, and adopt the necessary recommendations to reduce the risks resulting therefrom, in cooperation with the line manager.
- Suggesting corrective measures with the line manager in cases resulting from non-compliance with the legality of laws and regulations.
- The line manager participates in evaluating the adequacy of the Bank's compliance procedures and guidelines, tracks any deficiencies discovered, and formulates appropriate suggestions for adjustments.
- Identifying and assessing the compliance risks associated with the developing or introducing of a new banking product.
- Participating in developing the annual compliance risk plan with the line manager.
- Following-up on compliance with anti-money laundering laws and procedures and Know Your Customer rules.
- Preparing periodic compliance reports.
- Enhancing staff awareness and training in compliance aspects.
- Providing the regulatory authorities with its requirements and the specified dates.
- Preparing responses to external or internal communications.
- Coordinating with the line manager to inform the concerned authorities about any risks that may result or be known during the exercise of the tasks and activities assigned thereto.
- Any other duties assigned to in the field of job specialization.
- Supporting the line manager and performing the tasks assigned to it in its field of work.

2- Sharia Compliance Division:

- Determining the risks of non-compliance with the laws, regulations and legal instructions.
- Implementing Sharia compliance monitoring work for the Compliance Department to protect the bank from the risks of Sharia non-compliance.

Tasks and responsibilities

- Participating in preparing the department's plan with regard to Sharia aspects.
- Contributing to the preparation of a manual to monitor Islamic banking compliance.
- Assessing Sharia non-compliance risks and working to monitor it.
- Establishing a clear transparent communication system for the Sharia compliance function, and it shall be integrated with the Sharia governance system, including the Sharia Supervisory Board and the Sharia Compliance Department.
- Choosing random samples for Islamic banking operations and determining the extent to which the constituent departments of the bank are committed to implementing decisions, laws, and instructions, and including this in the report submitted to the department director.
- Contributing to the preparation of the Sharia compliance policy.
- Updating the Compliance Regulations and Instructions Matrix.
- Participating in installing a database on the extent of the bank's legitimate commitment.
- Spreading the culture of Sharia compliance.
- Contributing to the transfer of knowledge, especially what is related to the Sharia aspects.
- Covering the Sharia aspects in contracts and models.
- Ensuring that the new banking products comply with the principles of Islamic Sharia.
- Training of employees on Sharia matters.
- Assisting and supporting the Sharia Supervisory Board in its work, particularly documentation and communication.
- Supervising and evaluating subordinate employees.
- Supporting the line manager and performing the tasks assigned to it in its field of work.

The Relationship of the Board with the Compliance Department

1. The Board shall adopt a clear policy to ensure that the bank complies with all relevant legislation and instructions, and shall review this policy periodically and verify its implementation.
2. The Board shall approve the duties and responsibilities of the Compliance
3. The Compliance Department reports to the Audit Committee with a copy sent to the Managing Director.
4. The Bank shall form an independent compliance administration, to be reinforced with trained human resources, and to be adequately rewarded, in line with the instructions of the Central Bank of Iraq issued in this regard.

5. The Compliance Department prepares effective policies and procedures to ensure the bank's compliance with all applicable legislation and instructions and any relevant instructions and evidence. The bank shall document the tasks, authorities and responsibilities of the Compliance Department and circulate it within the bank.

Forth: Department of Sharia Control and Internal Audit:

Internal Audit:

The internal audit ensures the provision of the necessary periodic evaluation of the quality of the bank's accounts, performance and progress of operations, in compliance with international standards, and submitting periodic reports to the Audit Committee on the effectiveness and appropriateness of the internal control processes and procedures approved and implemented by the bank's management.

1. Qualifications of the audit department staff:
 - 1.1 The Director of internal audit and its assistant must have at least a bachelor's degree in accounting, banking management, financial and banking sciences, or one of the disciplines related to banking work, and the Director must have experience and practice in the field of control in accordance with the regulations and instructions issued by the Central Bank of Iraq.
 - 1.2 In selecting the internal audit staff, it should be taken into account that they are specialists in accounting and auditing and have sufficient experience.
2. The Relationship of Internal Audit with the Board:
 - 2.1 The Board must verify that the Internal Audit Department is under direct supervision of the Audit Committee, and that it reports directly to the Chairman of the Audit Committee to ensure its independence.
 - 2.2 The authority to communicate directly with the Board of Directors or the Chairman of the Board of Directors, the Audit Committee, the external auditor and the compliance controller in the bank.
 - 2.3 Submitting monthly, quarterly, semi-annual and annual reports on business results to the Audit Committee.
 - 2.4 Preparing a work manual for the policies and procedures of the Internal Audit Department, provided that the manual is approved by the Audit Committee and the Board of Directors and is subject to review and update by the Audit Committee every year or two at least.
 - 2.5 The structure of the internal control and control systems is reviewed by the Audit Committee, the Internal Audit Department, and the Sharia Audit Department at least once a year or whenever is needed.

Internal Sharia Audit

It is concerned with following up and reviewing the work manuals and systems of work procedures in the bank in terms of their compliance with the rules set and reviewed by the Sharia Board, and makes sure that the products and services provided by the Bank have been approved by the Sharia Board.

1. The Relationship of the Sharia Supervisory Board with the Internal Sharia Audit:
 - 1.1 Verifying the percentages of completion of the audit plan and following-up updates thereon, which are based on field observation.
 - 1.2 Reviewing the work manual that clarifies the department's objectives, authorities and responsibilities.
 - 1.3 Sharia internal auditor does not have executive authority or responsibility for the work it performs.
 - 1.4 Identifying deviations in the implementation of the decisions and fatwas of the Sharia Supervisory Board.

- 1.5 Evaluating the performance of the internal Sharia audit director and staff.
 - 1.6 Examining and evaluating of the adequacy and effectiveness of the internal Sharia control system at the bank.
 - 1.7 Following-up the compliance of the bank's management with the Sharia aspects, fatwas and decisions issued by the Sharia Supervisory Board.
 - 1.8 Monitoring the bank's compliance with the Sharia and accounting standards issued by the Accounting and Auditing Organization of Islamic Financial Institutions and Islamic Financial Services (AAOIFI).
 - 1.9 The annual Sharia audit plan, to be approved by the Authority, and a commitment to implement its provisions.
 - 1.10 Examining of receivables and finances that are classified under the category of non-performing facilities, or that are decided to be executed, and financed from joint investment accounts, to verify that there is no infringement or default by the bank.
 - 1.11 Verifying that the executive management adheres to the policy that regulates the relationship between shareholders and investment account holders, and in particular the principles of profit distribution.
2. The Relationship of the Board with the Internal Sharia Audit Division:
 - 2.1 Ensuring and enhancing the independence of the internal Sharia auditors, and ensuring that they are qualified to carry out their duties, including their right to access to all records and information and to contact any employee inside the bank, so that they can perform the tasks assigned to them, and prepare their reports without any external interference.
 - 2.2 Taking the necessary measures to enhance the effectiveness of the internal Sharia audit, through:
 - 2.2.1 Giving the necessary importance to the Sharia audit process and consolidating this in the bank.
 - 2.2.2 Following-up on the correction of Sharia audit notes.
 - 2.3 Verifying the availability of sufficient financial resources and a sufficient number of qualified human resources to manage the internal Sharia audit and train them, provided that the employees meet the following minimum requirements:
 - 2.3.1 A specialized university degree with knowledge of the principles of Islamic financial transactions, the terms of each contract and the reasons for its corruption.
 - 2.3.2 The head of the Internal Sharia Audit Department must have obtained the certificate of the Sharia controller and auditor, which includes the certificate of (accredited Sharia advisor) and (accredited Sharia auditor) granted by the Accounting and Auditing Organization for Institutions, as obtaining one of the above mentioned certificates fulfills the requirement
 - 2.4 Verifying that the internal Sharia audit staff are not assigned for any executive tasks.
 - 2.5 Adopting an Internal Audit Charter that includes the tasks, authorities and responsibilities of the Sharia Audit Department and circulating it within the bank.
 - 2.6 Verifying that the Internal Sharia Audit Department is under the direct supervision of the Sharia Board, and that it submits its reports to the Chairman of the Sharia Board, and a copy of it to the Audit Committee.
 - Planning for the preparation and implementation of internal audit policies and strategies to ensure a comprehensive evaluation of internal controls, in order to improve the effectiveness of risk management and governance processes.
 - Verifying that the workflow, procedures, and administrative, financial and technical decisions issued are consistent with the instructions in force on the one hand,

and the programs and plans specified by the senior management on the other hand, in addition to monitoring all projects and issues related to the work of the department.

- Adopting the recommendations of the Audit Committee and the recommendations of the Sharia Committee into practice.

Tasks and responsibilities

- Setting goals for the department and supervising their implementation in line with the general vision of the Board of Directors.
- Preparing the internal audit plan in light of the results of the strategic analysis and risk assessment.
- Supervising the development and implementation of the annual plan for the internal audit and control work in accordance with the annual business plan.
- Supervising the preparation and consolidation of the department's budget.
- Supervising the development of the internal audit program, to ensure that steps are set for conducting audits in detail, and supervising the audit teams to ensure the completion of audit programs in accordance with recognized audit standards locally and internationally, in addition to adherence to specific plans and schedules.
- Monitoring the implementation of the internal audit plan and make the necessary changes, with obtaining the approval of the Audit Committee to ensure the achievement of objectives and take corrective actions when needed.
- Verifying the validity and integrity of the internal control system and determining its adequacy and effectiveness while verifying that it is being applied properly.
- Evaluating the risks facing the department, submit proposals for how to deal therewith, and prepare plans to confront potential risks in cooperation with the Risk Management Department.
- Supervising and maintaining the efficiency and effectiveness of the bank's work in accordance with the internal audit charter and methodology.
- Supervising the implementation of internal audit operations in accordance with the approved audit plan, submitting reports and recommendations to senior management, and following-up their implementation with the competent authorities (the Audit Committee/Sharia Board).
- Following-up on the documentation of the internal audit processes and compare them with the best practices and ensure that they meet the goals of the entity.
- Supervising the implementation of recommendations and directives resulting from internal audits or issued by the competent regulatory authorities.
- Auditing and comprehensive examination of all aspects of the facility's activity (financial, administrative and technical), studying periodic reports of the activity of sub-sections and comparing it as planned, verifying the levels of implementation of the specific goals, requesting the necessary clarifications on deviations and giving opinion in this regard.
- Continuous consultation and cooperation with the bank's external auditor in order to reach a clear vision of the bank's situation and inform it of any specific matters and risks that may affect its work.
- Carry out inspection visits of all facilities and works of the institution and its branches and make the necessary recommendations.
- Supervising the preparation of the report that is submitted to the senior management and the audit committee with all the observations that appeared during the audit process, provided that the report is accurate in writing so that it does not have more than one meaning and that the recommendations are applicable.
- Supervising the number of periodic reports submitted to the managing director, which shows the violations that may occur when detected it, and the weaknesses in the internal control procedures that are discovered through documentary review, and that may cause financial losses to the institution, if any.

- Overseeing and approving the monthly and quarterly budgets.
- Supervising the work of the team work, including team leaders and internal audit staff, and contributing to raising their scientific and practical efficiency through direct and indirect supervision and continuous guidance.
- Executing what is necessary to preserve the institution's funds and its various assets and to ensure that there are sufficient means to protect it from loss, misuse or embezzlement.
- Continuous review of activities to ensure the effectiveness of accounting and administrative controls, the accuracy of accounting operations, and compliance with the policies and procedures of the institution.
- Ensuring that the Sharia audit reports are approved by the Sharia Board
- Ensuring that all actions and behaviors are followed up, and then examined and reviewed in light of the provisions and principles of Islamic Sharia through the relevant department.
- Ensuring the safety of the bank's implementation of the standards and provisions issued by the Sharia Supervisory Board, and examining the extent of its compliance with those provisions in all its activities.
- Periodic evaluation of the effectiveness of the Sharia audit.
- Supervising and following-up for the preparation of the quarterly reports of the Central Bank of Iraq.
- Evaluating the results of deviations from the performance levels and the drawn plans and policies.
- Working on developing programs to enhance continuous learning, develop and motivate employees to ensure better performance of tasks.
- Supporting the administration and carrying out any work assigned to it in the field of competence.

Divisions of the Internal Sharia Control and Audit Department:

1- Internal Audit Division

- Preparing the work plans and programs necessary to carry out the tasks of the Department of Control and Internal Auditing, supervising its proper implementation, and verifying the correctness and soundness of the procedures with financial impact taken by the relevant departments by examining the accounting data, the soundness of the financial procedures and applications and the mechanism of its implementation
- Ensuring the correctness and authenticity of financial records and documents, its proper use and preservation. This job also aims to monitor the application of regulations, laws and instructions, detect negative deviations, and inform management through the direct supervisor.
- Replacing the Department's Director in the event that such director is not among the tasks entrusted to, which facilitates and speeds up relevant decisions.

Tasks and responsibilities

- Participate in preparing plans for the department's activities for all internal control operations, procedures and activities, provided that it includes a plan for periodic and sudden field visits.
- Auditing and comprehensive examination of all aspects of the facility's activity (financial, administrative and technical).
- Examining and verifying the accounting correctness of transactions, financial documents and supporting documents related to revenues and expenditures, the

correctness of their accounting guidance, the correctness of their registration, transferring, crediting and classifying in accordance with the applicable and recognized accounting principles in accordance with the legislation in force.

- Verifying that the financial statements have been duly classified and that the data received, the analysis and evaluation of the results are correct.
- Insuring that the proper use and proper keeping of financial records and documents related to its work according to the rules.
- Contributing to supervise the implementation of internal audit operations in accordance with the approved audit plan for the department and submitting reports and recommendations to the line manager.
- Following-up on the documentation of the internal audit processes and compare it with the best practices and ensuring that it meets the goals of the entity.
- Preparing reports with the results of the examination and audit, together with recommendations and corrective proposals.
- Receiving and registering clarifications from the relevant departments, and transfers it to the concerned authorities, takes corrective measures and studies the responses of those authorities.
- Contributing in reviewing and examining the procedures and requirements of the approved internal control systems on a periodic basis and in light of developments with the aim of developing these systems.
- Participating in evaluating the risks facing the department and submitting proposals to the department's director.
- Contributing to maintain the efficiency and effectiveness of the bank's work in accordance with the internal audit charter and methodology.
- Following-up on the documentation of the internal audit processes and compare it with the best practices and ensuring that it meets the goals of the entity.
- Supervising the implementation of the recommendations and directives resulting from the internal audit operations, following-up the responses on the supervisory reports and making sure that the observations are addressed.
- Auditing and comprehensive examination of all aspects of the bank's activity through the department's audit team.
- Carrying out inspection visits of all institution's facilities and works and its branches and execute the necessary recommendations in accordance with the implementation plan of the department.
- Supervising the preparation of the report submitted to the department's director with all the observations that appeared during the audit process, and submitting recommendations.
- Supervising the work of the internal audit team, including team leaders and internal audit staff, and contributing to raising their scientific and practical efficiency through direct and indirect supervision and continuous guidance.
- Participating in the supervision and following-up to prepare the quarterly reports of the Central Bank of Iraq.
- Directing subordinates, solves their problems in the field of work, evaluates their performance, and submits a report on this performance to the line manager.
- Participating in knowledge management processes according to the nature of the work and contributing to the development of the staff working in this department.
- Performing any other work assigned to within the limits of its job duties and responsibilities.

2- Sharia Audit Division

- Submitting the recommendations of the Sharia Committee into practice.
- Verifying the proper application of Islamic banking products and applications, and undertake correcting the course of transactions in order to comply with Sharia standards.
- Assisting the bank's administration in carrying out its responsibility in terms of compliance with the provisions of Islamic Sharia.

Tasks and responsibilities

- Contributing in preparing the audit plan by proposing the implementation plan for the Sharia audit, and preparing the Sharia Audit Manual.
- Managing the Internal Sharia Audit Division, and implementing the Sharia audit on the bank's branches and departments in accordance with the department's comprehensive audit plan.
- Monitoring transactions so that they are in compliance with Islamic Sharia.
- Confirming that all transactions carried out by the bank are carried out in accordance with the Islamic rules and provisions accepted by the Sharia Supervisory Board.
- Ensuring that contracts, agreements and products comply with the provisions and principles of Islamic Sharia.
- adopting Sharia standards for work controlling, and adopting the fatwa ruling; because what is issued by the Sharia Board in this regard is considered Sharia rulings, the rules of fatwa and mufti must be taken into consideration.
- Ensuring the bank's proper implementation of the standards and provisions issued by the Supervisory Board, and examining the extent of its compliance with those provisions in all its activities.
- Preparing Sharia audit reports and submitting it to the Director of the Internal Sharia Control and Auditing Department, approving it by the Sharia Board, and sending approved decisions to the concerned departments in order to work accordingly, in coordination with the department's director.
- Participating with the Sharia Board and the Executive Management in developing and amending contracts, forms and applications that are used in accordance with the Sharia requirements.
- Auditing and examining the works and activities carried out from Sharia point of view, in order to ensure that they are free from any Sharia defect.
- Reviewing the relevant decisions related to Sharia provisions, and the procedures for their implementation, in order to ensure that what is stated therein is consistent with what has been approved by the Sharia Board.
- Participating in raising the awareness of employees within the bank through meetings, lectures and training courses, providing them with decisions, fatwas and studies issued by Sharia Board, and responding to their inquiries.
- The orderly review of contracts and agreements concluded by the institution with third parties, following-up of operations and projects that take place in the form of partnership or speculation, and the bank's transactions with conventional banks, in order to ensure the extent of their legitimacy.
- Following-up the implementation of the recommendations and decisions issued by the Sharia Board.
- Presenting emerging Sharia issues to the Sharia Board, which are gathered during implementation.
- Reviewing the distribution of profits between the institution and investment accounts' holders.

- Submit a periodic and final report about the result of the review and discuss its contents, as observed, with the concerned department before issuing the final report, provided that a copy of it is deposited to the Audit Committee in preparation for presentation to the Board of Directors and another to the Sharia Board.
- Correcting the Sharia violations discovered through the periodic Sharia audit.
- Sharia audit of all credit transactions and consultations presented to the department.
- Attending the meetings of the Sharia Supervisory Board.
- Organizing meetings for Sharia Board's members.
- Drafting the minutes and preparing them for signature by Sharia Supervisory Board's members of the.
- Serving e-mails from the department to Sharia Supervisory Board's members regarding any question presented to the Sharia Board.
- Organizing internal memos for every enquiry presented by the bank to the Sharia Board, including the answers of Sharia Board's members, whether it is permissible or not. The decisions of the Sharia Board are binding.
- Preparing the quarterly reports to be sent to the Central Bank of Iraq.
- Any other duties assigned to in the field of specialization of the job.
- Supporting the line manager and carrying out any work assigned to in its field of competence.



Statement of Financial Position as at 31 December 2020 Statement (A)

Details	Note	IQD (thousands)	IQD (thousands)
		31/12/2020	31/12/2019
Assets			
Golden bars	1-A		
Cash and balances in Central Bank of Iraq	1-B	209,241,497	357,654,444
Balances and deposits in banks and other financial institutions	2	275,906,347	115,579,761
Financial assets for sale through other comprehensive income	3-A	38,450,310	10,234,597
Investments in affiliate companies	3-B	1,500,000	1,500,000
Investment in Islamic deposit certificate		-	-
Islamic finances	4-A	135,782,792	190,527,700
Other assets	5	110,649,635	69,578,359
Properties/building & equipment (book value)	6-A	32,747,207	24,418,125
Properties/building & equipment – under processing	6-C	1,814,057	12,666,301
Total assets		806,091,845	782,159,287
Liabilities and equities			
Liabilities and short-term financing sources			
Customers deposits and saving and investment deposits	7	245,026,332	281,968,916
Current accounts for banks and other institutions	-	-	-
Customers deposits for banking activities and current accounts	8	206,114,832	197,900,764
Loan from Central Bank of Iraq	9	12,570,600	7,060,000
Other credit accounts (other liabilities)	10	18,045,445	16,159,903
Income tax provision	24	2,789,940	2,608,636
Miscellaneous provisions	4-C	31,950,636	4,321,157
Total liabilities and financing sources		516,497,785	510,019,376
Equities			
Capital	11	250,000,000	250,000,000
Statutory (mandatory) reserve	12	6,334,889	5,573,831
Accumulated surplus	12	26,123,366	13,553,759
Other reserves	12	6,986,859	2,583,024
Fair value reserve	12	148,946	429,297
Total equities		289,594,060	272,139,911
Total liabilities and equities		806,091,845	782,159,287
Obligations compensation at bank's custody (extra budgetary accounts)	25	337,598,097	253,592,321

Nagham Mohammed Hadi
Finance Manager

Humam Thamer Kadhem
Managing Director

Ahmed Walid Ahmed
Chair, Board-of-Directors

Subject to our letter No. 297/125/21 dated 05/06/2021.

Dr. Haseeb Kadhim Al-Juwayed
Legal Accountant & Accounts Auditor
Member, Iraqi Association of Certified Accountants

Mahmoud Rashid Ibrahim Al-Fahad
Legal Accountant & Accounts Auditor
Member, Iraqi Association of Certified Accountants

Statement of Financial Position as at 31 December 2020 | Statement (B-1)

Details	Note	IQD (thousands)	IQD (thousands)
		31/12/2020	31/12/2019
Operation revenues:			
Net income from (Murabahat, speculations, contributions and other Islamic financing)	18/18A	4,228,680	4,246,947
Revenue of Investment/Islamic certificates & deposits and other investments	13	178,141	358,133
Net banking transactions revenue and commission	14/19	14,055,942	19,220,698
Revenue of the foreign currency auction window	15B	5,585,636	-
Real estate investment revenue	-	-	-
Foreign currency exchange rate difference revenue	-	-	-
Currency purchase and sale revenue	15	1,488,066	2,743,500
Leased building rental revenue	16	1,800	-
Other banking transaction revenue	17	4,377,738	747,000
Total current transactions revenues		29,916,003	27,316,278
Less:: Operating expenses			
Employees' salaries, wages and benefits	20	4,706,907	4,481,816
General and administrative expenses	21	4,669,810	4,669,971
Depreciations	22	1,690,772	2,058,142
Provision for operating risks		9,745	974,505
Total expenses from current transactions		11,077,234	12,184,434
Net income from current transactions		18,838,769	15,131,844
Less: other expenses	23	827,667	590,509
Net profit before tax		18,011,102	14,541,335
Less: income tax	24	(2,789,940)	(2,608,636)
Net income after tax		15,221,162	11,932,699
Distributions:			
Statuary reserve	12-C	761,058	596,635
Accumulated surplus	12-C	14,460,104	11,336,064
Earnings per share	26	0,058	0,048

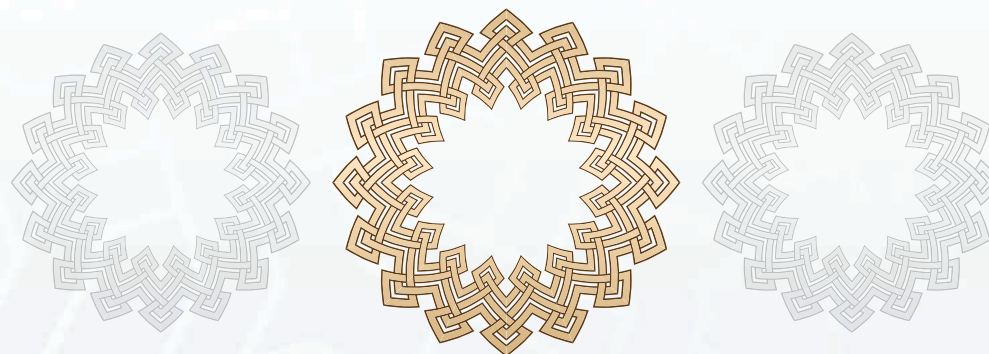
Nagham Mohammed Hadi
Finance Manager

Humam Thamer Kadhem
Managing Director



Comprehensive Income Statement for the year ended 31 December 2020 | Statement (B-2)

Details	Note	IQD (thousands)	IQD (thousands)
		31/12/2020	31/12/2019
Net profit of the year	B1	15,221,162	11,932,699
Net gains / loss / reevaluation of investments at the fair value through other comprehensive income		(280,351)	(220,416)
Gains / losses / reevaluation of property, buildings and equipment		-	-
Gains / losses / differences of translating current operations in foreign currency		-	-
Gains / losses resulting from hedging operating in foreign currency		-	-
Total of other comprehensive income items of the year		(280,351)	(220,416)
Total comprehensive income profit of the year		14,940,811	11,712,283



Statement of Changes in Equities As at 31 December 2020 | Statement (C)

Details	Capital	Statutory (mandatory) reserve	Other reserves	Fair value reserve	Profits brought forward	Total reserves	Total equities
2020	IQD (thousands)	IQD (thousands)	IQD (thousands)	IQD (thousands)	IQD (thousands)	IQD (thousands)	IQD (thousands)
Balance as at 01/01/2020	250,000,000	5,573,831	2,583,024	429,297	13,553,759	22,139,911	272,139,911
Comprehensive income of the year	-	761,058	-	-	14,460,104	15,221,162	15,221,162
Other comprehensive income transfers	-	-	-	(280,351)	-	(280,351)	(280,351)
Reserve transfers	-	-	1,553,759	-	(1,553,759)	-	-
Additions during the period	-	-	2,850,076	-	-	2,850,076	2,850,076
Deductions during the year	-	-	-	-	(336,738)	(336,738)	(336,738)
Disposals: enhancement of credit risks provision balance	-	-	-	-	-	-	-
Balance as at 31/12/2020	250,000,000	6,334,889	6,986,859	148,946	26,123,366	39,594,060	289,594,060

Explanations:

- 1 Additions:**
- (1.553.759) thousand dinars transferred from profits brought forward to the expansion reserve, according to the decision of the General Assembly held on 2020/10/31.
 - (761.058) thousand dinars transferred from the results of the distribution of activity for the year 2020 (income statement) statement (B1-) to mandatory reserve.
 - (14.460.104) thousand dinars transferred from the results of the distribution of activity for the year 2020 (income statement) statement (B1-) to the profits brought forward.
 - (2.850.076) thousand dinars represents the fixed asset replacement reserve
- 2 Deductions:**
- A-** The amount of (336,738) thousand dinars represents deductions from profits brought forward and detailed as follows:
- (31,158) thousand dinars, the difference in direct deduction for 2019 employees.
 - (278,906) thousand dinars, the difference in the increase in calculating the income tax paid for the profits of the year 2019.
 - (26,674) thousand dinars correction of the exposure of the commission of accreditation of the Erbil branch.
- B-** An amount of (1,553,759) thousand dinars transferred from profits brought forward to the expansion reserve in accordance with the decision of the General Assembly held on 2020/10/31.

Statement of Changes in Equities As at 31 December 2019 | Statement (C)

Details	Capital	Statutory (mandatory) reserve	Other reserves	Fair value reserve	Profits brought forward	Total reserves	Total equities
2020	IQD (thousands)	IQD (thousands)	IQD (thousands)	IQD (thousands)	IQD (thousands)	IQD (thousands)	IQD (thousands)
Balance as at 01/01/2019	250,000,000	4,977,196	2,182,473	649,713	4,787,916	12,597,298	262,597,298
Comprehensive income of the year	-	596,635	-	-	11,336,064	11,932,699	8,974,913
Other comprehensive income transfers	-	-	-	(220,416)	-	(220,416)	(220,416)
Reserve transfers	-	-	400,000	-	(400,000)	-	-
Additions during the period	-	-	551	-	-	551	551
Deductions during the year	-	-	-	-	(170,221)	(170,221)	(170,221)
Disposals: enhancement of credit risks provision balance	-	-	-	-	(2,000,000)	(2,000,000)	(2,000,000)
Balance as at 31/12/2019	250,000,000	5,573,831	2,583,024	429,297	13,553,759	22,139,911	272,139,911

Explanations:

- 1 Additions:**
- (400.000) thousand dinars transferred from profits brought forward to the expansion reserve, according to the decision of the General Assembly held on 2019/9/2.
 - (11.336.064) thousand dinars transferred from the results of the distribution of activity for the year 2019 (income statement) statement (B1-) to retained profits.
 - (596.635) thousand dinars transferred from the results of the distribution of activity for the year 2019 (income statement) statement (B1-) to the statutory reserve.

2 Deductions: The deductions represent the following:

- (400.000) thousand dinars transferred from profits brought forward to the expansion reserve, according to the decision of the General Assembly held on 2019/9/2.
- (2.000.000) thousand dinars, transferred from profits brought forward to the provision for credit facilities impairment, according to the decision of the General Assembly held on 2019/9/2.
- The deductions amounting to (170.221) thousand dinars, including (131.586) thousand dinars, represent the amortization of the loss of the Al Abrar Company according to the decision of the General Assembly held on 2019/9/2 and (38.635) thousand dinars, the difference of the increase in the calculation of the direct deduction for employees in 2019.

Statement of Cash Flow for the year ended 31 December 2020 | Statement (D)

Details	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Operating Activities		
Period profit before tax	18,011,102	14,541,335
Amendment for non-cash items		
Depreciations	1,690,772	2,058,142
Provision for credit facilitations risks	4,306,288	3,250,268
Provision for change in hot branches risks	-	(1,346,858)
Change in different provisions	27,629,479	2,424,505
	33,626,539	6,386,057
Cash flows from operational activities before change in assets and liabilities	51,637,641	20,927,392
Change in Islamic financings	50,438,620	(70,177,953)
Change in other assets	(41,071,276)	(39,482,315)
Change in customers deposits and in saving and investment deposits	(36,942,584)	119,624,401
Change in deposits fir banking activities and current accounts	8,214,068	127,661,639
Change other credit accounts (other liabilities)	1,885,542	11,560,943
	(17,475,630)	149,186,715
Net cash flow used in operational activities before tax	34,162,011	170,114,107
Paid taxes	(2,608,636)	(1,083,565)
Net cash flow used in operating activities after tax	31,553,375	169,030,542
Investment and financing activities		
Change in financial assets at fair value through other comprehensive income	(28,215,713)	2,123,665
Change in fixed assets – properties and equipment	(10,019,854)	(6,083,824)
Change in under processing projects / under processing	10,852,244	(10,964,377)
Change in reserves	2,232,987	(390,088)
Transfers from retained profits	-	(2,000,000)
Distributed profits	-	-
Loan of Central Bank of Iraq	5,510,600	5,277,325
Net cash flow used in investment and financing activities	(19,639,736)	(12,037,299)
Net increase in cash and cash equivalent	11,913,639	156,993,243
Cash and cash equivalent at the beginning of the year	473,234,205	316,240,962
Cash and cash equivalent at the end of the year	485,147,844	473,234,205

Notes on the consolidated financial statements
for the financial year ended December 31, 2020

1. General Information

Iraqi Islamic Bank for Investment & Development is an Iraqi private shareholding company, established in 1992 as per incorporation certificate no. C.R/5011, having its headquarters located in Baghdad city, with a nominal capital of (250) billion IQD.

The bank conduct all the banking and financial businesses related to its activity through its headquarter in Baghdad City (Al-Mansour/14th Ramadan Street/District 606/Lane 18/Building 67), as well as to its branches inside Iraq. In addition to rendering currency exchange and financial mediation services

2. Financial statement preparation bases

Compliance bases

The bank's financial statements have been prepared in accordance with the International Financial Reporting Standards and the interpretations of the International Financial Reporting Interpretations Committee, International Accounting Standards Board and the instructions of the Central Bank of Iraq.

The consolidated financial statements were prepared in accordance with the historical cost principle except financial assets at the fair value through the other comprehensive income which are stated at the fair value at the date of the consolidated separated financial statements. The financial assets and liabilities are stated at the fair value. A hedging was made for the change risks in their fair value.

Iraq Dinar is the currency of consolidated financial statements, which represents the bank's main currency. All amounts were rounded to the nearest one thousands Iraqi Dinar.

The Bank deals in foreign currencies with correspondent banks according to the prevailing exchange rates and is translated at the end of the year using the market exchange rate for the last working day of the year for the elements of the financial position list and the average exchange rate for the items of the profit or loss statement.

The exchange rates for the components of the consolidated financial position as of December 2020 ,31 are as follows:

Currency	Exchange rate
US Dollar	1,460
Euro	1,791

The accompanying notes from No. (1) to No. (27) are considered an integral part thereon and should be read with them

3. Significant accounting policies:

The accounting policies adopted by the Bank in preparing the financial statements for the year ended December 2020 ,31 are similar to the accounting policies that were followed in preparing the separate financial statements for the year ended December 2019 ,31 in accordance with the new and revised International Financial Reporting Standards, which became effective after the first of January 2017.

The Bank early implemented the International Financial Reporting Standard No. (9) related to the measurement and classification of financial assets in preparing separate financial statements for the year ending on December 2017 ,31 based on the decision of the Bank's Board of Directors and in accordance with the instructions of the Central Bank of Iraq, noting that its application is mandatory on December 1 Second 2019.

New currently applied requirements:

The International Accounting Standards Board (IASB) has issued amendments to financial instruments in IFRS 9 and Investments in Associates and Joint Ventures in IAS 28 to assist in applying these two standards.

Amendments to the Financial Instruments Standard, IFRS 9, allow companies to evaluate financial assets specified for advance payment with the so-called negative compensation at depreciation cost or at fair value through other comprehensive income if a specific condition is met in place of the fair value through profit or loss.

The amendments to IAS 28 investments in associates and joint ventures clarify that companies calculate long-term interest in an associate or joint venture - the equity method is not applied to them - using IFRS 9. The amendments are effective from January 2019 ,1, with early application permitted.

The International Accounting Standards Board (IASB) also issued amendments to IAS 12 Income Taxes. The amendments clarify recognition of deferred tax assets for unrealized losses (Amendments to IAS 12), and how the deferred tax assets related to debt instruments measured at fair value are accounted for.

IAS 12 provides requirements for the recognition and measurement of current or deferred tax receivables or assets. The amendments issued today clarify the requirements for recognizing deferred tax assets for unrealized losses to address the difference in practice. Entities are required to apply the amendments at annual intervals beginning on or after January 2018 ,1, and it may be applied

before this date, and the amendments to the standard come as a result of a recommendation made by the International Financial Reporting Interpretations Committee (Interpretations Committee). The objective of this project is to clarify accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

Below are the significant accounting policies followed in preparation of the financial statements:

Financial instruments:

A. Financial assets and liabilities at amortized cost

They are the financial assets that the Bank's management aims to keep in order to collect contractual cash flows, which are represented by payments from the principal of debt and returns on the balance of the outstanding debt on fixed payment terms. These assets do not have prices in an active market and the Bank has no intention to sell these assets in the near future.

These assets are recognized upon purchase at cost plus acquisition costs.

Financial assets at amortized cost include cash and cash equivalents and other debit balances.

Any financial assets from / to this line are reclassified only when the purpose of the acquisition and the manner in which the financial assets are managed are changed.

B. Direct credit facilities

Direct credit facilities are financial assets with fixed or specified payments originally provided by the Bank or acquired and do not have market prices in active markets.

A provision for direct credit facilities impairment is made if it becomes apparent that the amounts due to the Bank cannot be collected and when there is substantial evidence that a certain event has negatively affected the future cash flows of direct credit facilities. When such impairment can be estimated, the value of the provision is recorded in the profit or loss statement and in accordance with the Instructions of the Central Bank of Iraq.

Credit facilities for which provision was allocated are written off in the event that the measures taken to collect them are not feasible by deducting them from the provision, and any surplus in the total provision - if any - is transferred to the miscellaneous provisions account.

The accompanying notes from No. (1) to No. (27) are considered an integral part thereon and should be read with them

C. Fair value

The closing prices (sale of assets / sale of liabilities) on the date of the financial statements in active financial markets represent the fair value of financial instruments and derivatives that have market prices.

In case there is no announced prices or there is no active trading for such financial instrument, its fair value is estimated in one of the following ways:

- Comparing it with the current market value of a financial instrument that is substantially the same.
- Analyzing future cash flows and deducting the expected cash flows by a percentage used in a similar financial instrument.
- Option pricing models.

The valuation methods aim to obtain a fair value that reflects market expectations and takes into account market factors and any expected risks or benefits when assessing the value of financial instruments. If there are financial instruments that cannot reliably measure their fair value, they are stated at cost after deducting any impairment in their value.

D. Impairment in the value of financial assets

The Bank reviews the values recorded in the records of the financial assets at the date of the statement of financial position to determine whether there are indicators indicating impairment in their value individually or in form of a group, and in the case of such indicators, the recoverable value is estimated in order to determine the impairment loss.

The impairment in the fair value is recorded in the separate statement of profit or loss and any savings in the subsequent period as a result of the previous impairment in the financial assets are recorded in the separate statement of profit or loss.

E. Financial assets determined at the fair value through the other comprehensive income

These assets represent investments in equity instruments for the purpose of maintaining them in the long term. These assets are recognized upon purchase at fair value plus acquisition expenses and are subsequently reassessed at fair value, and the change in fair value appears in the other comprehensive income statement and within the shareholders' equity, including the change in value. The fair value resulting from the differences in the conversion of non-monetary assets in foreign currencies.

F. Investments in subsidiaries

The subsidiary company is the company that is subject to the Bank's control on the date of the financial statements or during the fiscal year so that the Bank controls the subsidiary when it has the right to variable returns from its involvement with the company and has the ability to influence those returns through controlling the company.

The investor controls the investee when the investor is exposed to the variable returns resulting from its partnership with the investee or has rights in it and has the current ability to influence those returns through its control over the investee.

The concept of control becomes clear when three elements are achieved, which are as follows:

- 1 The authority of the investor over the investee.
- 2 The investor's exposure to variable returns resulting from its partnership with the investee or its rights therein.
- 3 The investor's ability to use that power over the investee to influence the amount of the investor's returns.

Any profits resulting from the purchase are recognized in the profit or loss statement directly, and the costs incurred resulting from the purchase are recorded in the profit or loss statement as well, unless they relate to debt or securities.

Contingent liabilities are measured at fair value at the date of acquisition or control if they are classified as equity, and any transactions are treated within equity. Subsequent recognition to the contrary is made in the fair value of the contingent consideration in the statement of profit or loss.

Non-controlling interests are measured at the date of purchase in proportion to their interest in the net assets.

Any gain or loss resulting from loss of control is recognized in the statement of profit or loss.

G. Property and equipment

Property and equipment are stated at cost after deducting accumulated depreciation and any impairment in their value. Property and equipment (excluding land) are depreciated when ready for use on a straight line basis over their expected useful life using the following annual percentages:

The accompanying notes from No. (1) to No. (27) are considered an integral part thereon and should be read with them

Property and equipment	Depreciation
Properties	2 %
Equipment, devices, furniture, molds and machines	20 %
Transportation means	20 %
Computer systems and machines	20 %
Leased buildings improvements	20 %

When the recoverable amount of any property and equipment is less than its net book value, its value is reduced to the recoverable value and the impairment value is recorded in the statement of profit or loss.

The useful life of property and equipment is reviewed at the end of each year. If the expected useful life differs from the previously prepared estimates, the change in the estimate for subsequent years is recorded as a change in the estimates.

Property and equipment are excluded when they are sold, or when no future benefits are expected from their use or disposal.

H. Provisions

Provisions are recognized when the Bank has obligations at the date of the financial statements arising from previous events and that the repayment of the obligations is probable and their value can be measured reliably.

Based on the instructions of the Central Bank of Iraq No. 2010/4 and its Circular No. 9/3/9 dated January 2018 ,7, hedging is made to start applying International Accounting Standard No. (9) by recording the surplus from recalculating the fair value provision, if any, in the miscellaneous provisions account and is not reflected in profits.

I. Income tax

Tax expense represents accrued tax amounts and deferred tax.

Payable tax expenses are calculated on the basis of taxable profits, and taxable profits differ from the profits declared in the separate financial statements because declared profits include non-taxable revenues or expenditures that are not deductible in the fiscal year but in subsequent years, accumulated losses that are taxable, or items that are not subject to or is acceptable for deduction for tax purposes.

Taxes are calculated according to the tax rates established under the applicable income tax law. The effective tax rate on banks is %15 according to the last enacted tax law.

Deferred taxes are the taxes expected to be paid or recovered as a result of the temporary time differences between the value of assets and liabilities in the financial statements and the value on which the tax profit is calculated. Deferred taxes are calculated using the commitment method in the financial position statement and the deferred taxes are calculated according to the tax rates that are expected to be applied upon settlement of tax liability or realization of deferred tax assets.

The balance of the deferred tax assets is reviewed on the date of the separate financial statements and reduced if it is not expected to benefit from such tax assets, in part or in whole.

J. Offsetting

Offsetting is made between financial assets and financial liabilities and the net amount is reflected in the statement of financial position only when binding legal rights are available, and when they are settled on the basis of offsetting or when the assets realization and liabilities settlement are at the same time.

K. Revenues realization and recognition of expenses

- Revenue is recognized during the granting of Murabahat and installment sales.
- Expenses are recognized on an accrual basis.
- Commissions are recorded as revenue when the services related to them are provided.

L. Date of recognizing financial assets

The purchase and sale of financial assets is recognized on the trade date (the date of the Bank's commitment to sell or purchase the financial assets).

M. Foreign currencies

- Transactions in foreign currencies during the year are recorded at the exchange rates prevailing on the date of the transactions.
- Monetary item balances are transferred at the foreign currency rates prevailing on the date of the financial position statement or announced by the Central Bank of Iraq.
- Monetary items in foreign currencies are translated at fair value on the date of determining their fair value.
- Profit or loss resulting from foreign currency exchange is recorded in the profit or loss statement.

N. Cash and cash equivalent

It is the cash and cash balances that are due within a period of three months from the date of their acquisition. They include: cash and balances with the Central Bank of Iraq, balances with banks and banking institutions, deposits of banks and banking institutions due within a period of three months and the restricted withdrawing balances are deducted.



المصرف العراقي الإسلامي
لِلإستثمار والتنمية
IRAQI ISLAMIC BANK
For Investment & Development

**YOUR SALARY
IS YOUR GUARANTEE**



By settling your salary with the Iraqi Islamic Bank for Investment and Development, obtain financing according to Islamic Sharia of up to 30,000,000 Iraqi dinars and on easy terms.



Financing up to

**30
Million IQD**

078 02 800 999

www.iraqiislamicb.iq

 Iraqislamicb

Use of estimates

The preparation of financial statements and the application of accounting policies requires the Bank's Management to make estimates and assumptions that affect the amounts of financial assets and liabilities, as well as the disclosure of contingent liabilities. These estimates and assumptions affect revenues, expenses and provisions as well as changes in fair value that appear in the statement of profit or loss and in the shareholders' equity. In particular, it requires the Bank's Management to issue important judgments to estimate the amounts and timing of future cash flows. The aforementioned estimates are necessarily based on multiple assumptions and factors that have varying degrees of estimation and uncertainty. 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.

We believe that Management's estimates within the financial statements are reasonable and detailed as follows:

- ⊗ A provision is made for the lawsuits filed against the Bank based on a legal study prepared by the Bank's advisers, according to which the potential risks that may occur in the future are determined, and those studies are reviewed periodically.
- ⊗ A provision is made for credit facilities based on principles and assumptions approved by the Bank's Management to estimate the provision to be formed in accordance with international financial reporting standards. The results of these principles and assumptions are compared with the provisions to be formed in accordance with the instructions of the Central Bank of Iraq. The more stringent results are approved in accordance with international financial reporting standards.
- ⊗ The Management re-estimates the useful lives of equipment and property periodically for the purposes of calculating annual depreciation based on the general condition of those assets and estimates of expected productive lives in the future, and the impairment loss is taken in the profit or loss statement.
- ⊗ The Management periodically reviews the financial assets, which appear at cost, to assess any impairment in their value, and this decrease is taken in the profit or loss statement for the year.
- ⊗ The fiscal year is charged with its related income tax expenditures in accordance with the regulations, laws and international financial reporting standards, and the deferred tax assets and liabilities and the necessary tax provision are calculated and recorded.

Fair value

The fair value represents the amount with which an asset could be exchanged or a liability settled between knowledgeable, willing parties in the same terms of business. The fair value measurement is based on an estimate of the price at which the organized transaction will take place that sells the asset or transfers the liability between market participants at the measurement date under one of the following conditions:

- In the principal market for the asset or liability, or
- In the most advantageous market for assets and liabilities, in the absence of major markets.

Assets and liabilities may be associated with fair value in the following two cases:

- A When the assets or liabilities exist by themselves.
- B When there is a group of assets or liabilities or a group of assets with liabilities (for example, a cash-generating unit or a business) and a number of accounting policies and disclosures of the Bank require measuring the fair value of both financial and non-financial assets and liabilities.

The Bank has a structured monitoring network regarding fair value measurement, and this includes an evaluation team that bears full responsibility for supervising all important fair value measurements and what is included in the third level of fair value and direct reports to the financial manager. The evaluation team reviews important inputs that cannot be traced and evaluates adjustments.

If information from a third party is used to measure fair value, such as transferring media or pricing services, the valuation team evaluates the evidence obtained from the third party to support conclusions that such valuations meet the requirements of International Financial Reporting Standards, including the fair value hierarchy. Such assessments should be classified. Important evaluation issues are reported to the audit committee.

When measuring the fair value of assets and liabilities, the Bank uses market observable data as much as possible. The Bank determines the fair value by using valuation techniques. The Bank also uses the following levels, which reflect the significance of the inputs used in determining the fair value:

Level 1: Quoted (unadjusted) prices in an active market for identical assets or liabilities.

Level 2: Valuation techniques based on inputs other than the prices included in Level 1 that are specified for assets and liabilities directly as prices or indirectly linking them with prices.

Level 3: Methods of assessing assets or liabilities using significant inputs that do not depend on available market information (input that cannot be tracked). If the inputs used to measure the fair value of an asset or a liability, then they may be classified in different levels of the fair value hierarchy, and then the fair value measurement is classified in its entirety in the same level of the fair value hierarchy as the lowest level entry and this is important for measurement. The bank recognizes the transfer between levels in the fair value hierarchy at year end.

The accompanying notes from No. (1) to No. (27) are considered an integral part thereon and should be read with them

1-A Golden Bars

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Golden bars	-	-
Total	-	-

1-B Cash and balance with the Central Bank of Iraq

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Cash in treasury	95,601,860	22,306,375
Cash on hand	13,993,379	15,715,712
Cash on hand, foreign currency	78,151,617	4,626,055
Cash, ATM	3,456,864	1,964,608
Balance with the Central Bank of Iraq	113,639,637	335,348,069
Cash with the Central Bank of Iraq (Dinar)	47,250,108	247,786,942
Cash with the Central Bank of Iraq (Dollar)	39,499,271	65,100,512
Legal deposits with the Central Bank of Iraq (Dinar, Dollar)	22,241,595	16,323,135
Deposits provision, letters of guarantee	4,648,663	6,137,480
Cash and balances with the Central Bank of Iraq	209,241,497	357,654,444

Note: The letters of guarantee deposits: This amount represents the seizure of (7%) of the value of the letters of guarantee issued after deducting the (15%) deposits held with the Central Bank of Iraq.

2. Balances and deposits in banks and other financial institutions

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Cash with local banks	9,279,839	3,198,564
Cash with foreign banks	266,626,508	112,381,197
Total	275,906,347	115,579,761

Note: There is a balance of (11,510,598) thousand dinars within deposits accounts with third parties / credits representing cash balances with foreign banks.

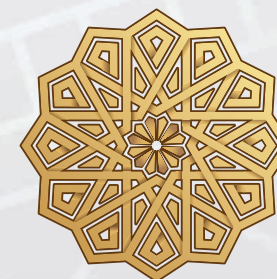
3-A. Financial assets for sale through other comprehensive income

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Financial assets for sale	23,251,742	10,234,597
Land investment (1100) plots of land in Kirkuk (and other real estate investments)	15,198,568	000
Total	38,450,310	10,234,597

3-B. Investments in affiliate companies

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Al-Abbar Co. for Mediation in Purchase and Sale of Securities	500,000	500,000
Asas Al-Iraq Co. for Real Estate Investments	1,000,000	1,000,000
Total	1,500,000	1,500,000

Note: Stocks of companies that are not listed in financial markets are recorded at cost due to the fact of the absence of a parallel market that could have reliable information on the fair value of these investments.



The accompanying notes from No. (1) to No. (27) are considered an integral part thereon and should be read with them

4-A Islamic finances (Net)

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Murabahat		
Murabahat / individuals	15,074,466	36,044,252
Murabahat / companies	129,697,859	22,282,965
Total Murabahat	144,772,325	58,327,217
Istisna financing	28,637	35,937
Speculations	-	-
Usufruct financing		
Government investment financing / usufruct	-	1,376,125
Contributions		
Contributions financing	-	132,520,204
Investments		
Interest-free loan/Employees	120,068	51,700
Credit financing		
Financing of credit/transport documents held by the bank	7,444,695	19,913,412
Small scale project funding	10,068,059	647,809
Total	162,433,784	212,872,404
Less: doubtful debts provision		
Cash credit risks provision	(26,650,992)	(22,344,704)
Total Islamic financings (net)	135,782,792	190,527,700

4-B: Note on change in allocations/ doubtful debts provision

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Balance at year beginning	22,344,704	19,094,436
Additions during the year	7,222,264	3,346,858
Deductions during the year	(2,915,976)	(96,590)
Balance at year end	26,650,992	22,344,704

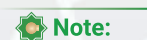
**Note:**

Additions: The amount of additions of (7.222.264) thousand dinars represents the amount transferred from the currency evaluation differences reserve account to the provision for doubtful debts according to the letter of the Central Bank of Iraq No. (9/2/401) dated 12/28/2020.

Deductions: The deductions (2.915.976) thousand dinars represent the amount transferred from the provision for doubtful debts to the cash credit provision on 28/09/2020.

4- C: Miscellaneous provisions

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Balance at year beginning		
Additions during the year	3,346,652	1,896,652
Deductions during the year	3,426,521	1,450,000
Balance at year end for the contractual obligations risks	-	-
Provision for operating risks		
Balance at year beginning	974,505	-
Additions during the year	9,745	974,505
Deductions during the year	-	-
Balance at year end for the operating risks	984,250	974,505
Provision for foreign currency fluctuations / credits		
Balance at year beginning	-	-
Additions during the year	34,841,998	-
Deductions during the year	10,648,785	-
Balance at year end for foreign currency fluctuations	24,193,213	-
Total	31,950,636	4,321,157

**Note:**

Additions: The addition represents (1.450) million dinars to the contractual credit provision on December 31, 2020 due to the increase in the volume of contractual obligations.

The addition (34,841,998) represents a thousand dinar of the allowance for fluctuations in foreign currency rates resulting from the change in the exchange rate of 1460 under the Central Bank letter No. 9/2/382 on 21/12/2020.

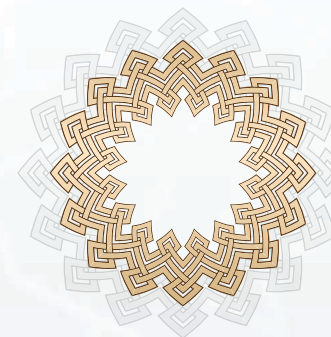
Deductions: The reduction in the foreign currency fluctuations provision (10,648,785) thousand dinars is divided into (3,426,521) thousand dinars transferred to the pledge credit provision and (7,222,264) thousand dinars transferred to the cash credit provision.



The accompanying notes from No. (1) to No. (27) are considered an integral part thereon and should be read with them

5. Other Assets

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Paid letters of credit debtors	4,295,852	3 ,619 ,925
Deposits with others	527,780	331 ,388
Deposits with others external banks	11,510,598	36 ,935 ,397
Debtors extend letters of guarantee	300,124	-
Current activity debtors	1,717,771	2,052,001
Expenses paid in advance	233,629	119 ,810
Due Murabaha uncollected	75,942,789	7,784,886
External world debtor (Western Union)	1,009,730	703 ,487
Judicial expenses	545,705	443 ,029
Uncollected amounts –projects	2,170	3 ,605
Advanced payments for activity purpose	14,000	351 ,024
Non-working Murabaha	3,207,651	1,139 ,190
Employees advanced payments	9,890	12 ,880
Debtors of delayed repayment debts	11,232,441	15,881,737
Real estates evolved upon the Bank to fulfill due debts	-	200,000
Stock	99,505	-
Total	110,649,635	69,578,359



Note:

Deposits with other s/ external banks represent the amounts deposited in external banks shown below for the purpose of credits:

Bank	Amount / Euro	Amount / Dollar	Amount / Dinar
Housing Bank	-	7,270,124,50	10,614,382
Jordan Al-Etihad Bank	500,400	-	896,216
Total	500,400	7,270,124,50	11,510,598

6-A Property and Equipment as on 31 December 2020

Fixed assets	Lands	Buildings and constructions	Machines and equipment	Transportation means	Office furniture and equipment	Leased buildings improvements	Systems	Total
Movement during the year	Thousand Dinar	Thousand Dinar	Thousand Dinar	Thousand Dinar	Thousand Dinar	Thousand Dinar	Thousand Dinar	Thousand Dinar
Cost								
Balance on 1/1/2020	13,689,067	8,512,348	428,615	672,474	3,209,897	173,269	4,241,315	30,926,985
Additions during the year	1,221,416	8,836,748	42,231	424,186	190,798	83,242	1,309	10,801,910
Disposals (deductions) during the year	245,000	1,184,887	31,743	220,346	44,145	39,563	-	1,767,663
Balance on 31/12/2020	14,665,483	16,164,209	439,104	876,314	3,356,550	216,948	4,242,624	39,961,232
Depreciation %		2%	20%	20%	20%	20%	20%	
Provision for accumulated depreciation								
Balance on 1/1/2020	-	498,583	315,522	510,155	1,348,549	-	3,836,051	6,508,860
Add: current year depreciation	-	666,761	28,518	81,553	877,665	-	36,275	1,690,772
Less: disposals from accumulated depreciation	-	(736,993)	(31,380)	(133,757)	(382,005)	-	298,528	(985,607)
Balance on 31/12/2020	-	428,351	312,660	457,951	1,844,209	-	4,170,854	7,214,025
Book value as on 31/12/2020	14,665,483	15,735,857	126,444	418,363	1,512,342	216,948	71,770	32,747,207

Note:

- Land additions represent the purchase of real estate (Fallujah, Sulaymaniyah, Karbala).
- Additions to buildings and constructions represent the purchase of real estate on Princesses Street / AHMansour, and packaging and furnishing of floors and secondary ceilings / Kirkuk branch.
- Additions of machines and equipment represent the purchase of generators for the main branch and AHMansour branch.
- Buildings and construction exclusions represent the sale of land and the construction of AHMansour Building.

6-B Property and Equipment as on 31 December 2019

Fixed assets	Lands	Buildings and constructions	Machines and equipment	Transportation means	Office furniture and equipment	Leased buildings improvements	Systems	Total
Movement during the year	Thousand Dinar	Thousand Dinar	Thousand Dinar	Thousand Dinar	Thousand Dinar	Thousand Dinar	Thousand Dinar	Thousand Dinar
Cost								
Balance on 1/1/2019	15,650,130	7,339,926	336,506	586,616	2,359,858	113,113	4,137,826	25,523,975
Additions during the year	3,038,937	1,172,602	108,888	85,858	872,766	85,501	106,131	5,465,683
Disposals (deductions) during the year	-	(180)	(16,779)	-	(22,727)	(20,345)	(2,642)	(62,673)
Balance on 31/12/2019	13,689,067	8,512,348	428,615	672,474	3,209,897	173,269	4,241,315	30,926,985
Depreciation %		2%	20%	20%	20%	20%	20%	
Provision for accumulated depreciation								
Balance on 1/1/2019	-	351,456	294,500	450,393	1,070,461	-	2,964,723	5,131,533
Add: current year depreciation	-	147,127	21,022	59,762	399,581	-	764,749	1,392,241
Less: disposals from accumulated depreciation	-	-	-	-	-	-	-	-
Settlements during the year	-	-	-	-	(121,493)	-	106,579	(14,914)
Balance on 31/12/2019	-	498,583	315,522	510,155	1,348,549	-	3,836,051	6,508,860
Book value as on 31/12/2019	13,689,067	8,013,765	113,093	162,319	1,861,348	173,269	405,264	24,418,125

 Explanations:

- The land additions represent the transfer of the value of lands (Najaf, Mosul, Kirkuk, Samawa, Karbala).
- The additions to the buildings represent Kirkuk, Karada, Samawa, Hillah, and the disposals an amount of (180) thousand dinars from the value of the buildings to the lands of Samawa branch.
- The additions to machinery and equipment represent purchase of generator for the General Administration, Andalusia, Mosul, and the Main Branch / the disposal reflected an amount of (16779) thousand dinars from the machinery and equipment account to the furniture account, classification error.
- The additions to the transportation means and purchase of (Tahoe) car represent (71.500) dollars, excluding freight and other expenses.
- Additions to furniture represent purchase of furniture to the general administration and Sulaymaniyah branch, and the disposals represent writing off an amount of 2682 consumable counting machines in Najaf branch and selling consumable furniture in Samawa branch, and reflecting (5474) from account 1164, branch 11, Hillah branch to account 1130 main branch (counting machine, wrong entry) and reflecting the depreciation of Erbil branch from 2216 to 2219 (internal control audit).
- Building improvements / addition of public administration works, Al-Raisi, Al-Ramadi and Sulaymaniyah branches, Hillah decorations, branches amortization, reflecting Basra and Ramadi differences (internal control audit).
- Systems and software / Purchase of the waiting list of management system / Mansour branch in amount of 7140 / purchase of machines and renewal of SDS licenses for General Administration / customs permits to buy Virol devices, disposal of systems and software / reflection 2642 to the building improvements account/ main branch.
- An amount of 106.579 dinars, reflecting entries from the account of furniture depreciation provision / Erbil branch to the account of the provision of systems and software depreciation, Erbil branch / buildings depreciation for (Mansour building and Karada building).
- An amount of (121496) thousand dinars represents settlements of furniture depreciation provision and office equipment, reflection of entry to the system depreciation provision account in Erbil branch.

The accompanying notes from No. (1) to No. (27) are considered an integral part thereon and should be read with them

6-C In progress projects (property / buildings and equipment in progress) as on 31 December 2020

In progress projects	In progress projects	Rental improvements	Systems	Total
Movement during the year	Thousand Dinar	Thousand Dinar	Thousand Dinar	Thousand Dinar
Balance on 1/1/2020	12,109,678	201,414	355,209	12,666,301
Additions during the year	2,597,291	7,291,607	589,862	10,478,760
Currency valuation difference	-	1,675,593	89,661	1,765,254
Disposals during the year	(13,270,896)	(8,618,380)	(536,882)	(22,426,150)
Transferred to assets	(654,500)	-	-	(654,500)
Cash settlement	(15,600)	-	-	(15,602)
Balance on 31/12/2019	765,973	550,234	497,850	1,814,057

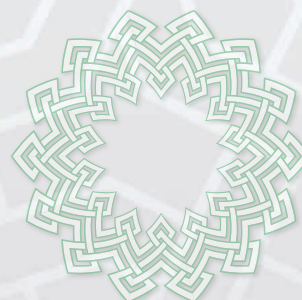
• The exclusions amounting to (22,426,150) thousand dinars represent the following:

A- An amount of (8,618,360) thousand dinars for transferring the value of Al-Mansour building to the buildings account.

B- An amount of (13,807,790) thousand dinars for transferring the cost of the invested lands from the Sunni Endowment (Waqf) Office / Kirkuk and transferred to the investment account, in addition to the real estate of Haj Fathi.

6-D In progress projects (property / buildings and equipment in progress) as on 31 December 2019

Fixed assets	Lands	Buildings and constructions	Machines and equipment	Transportation means	Office furniture and equipment	Leased buildings improvements	Systems	Total
Movement during the year	Thousand Dinar	Thousand Dinar	Thousand Dinar	Thousand Dinar	Thousand Dinar	Thousand Dinar	Thousand Dinar	Thousand Dinar
Cost								
Balance on 1/1/2019	1,076,804	-	-	20,052	-	489,743	115,326	1,701,925
Additions during the year	12,517,257	-	-	85,858	-	518,808	239,883	13,361,806
Disposals during the year	-	-	-	-	-	-	-	-
Transferred to assets	(1,484,383)	-	-	(105,910)	-	(807,137)	-	(2,397,430)
Balance on 31/12/2019	12,109,678	-	-	-	-	201,414	355,209	12,666,301



The accompanying notes from No. (1) to No. (27) are considered an integral part thereon and should be read with them

7. Customers deposits and current accounts for banks and other institutions

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Debit current accounts private sector / companies and associations	98,406,007	165,334,818
Debit current accounts private sector / individuals	47,388,376	20,242,042
Debit current accounts / government sector	49,758,372	58,484,344
Saving accounts	22,686,853	18,754,284
Customers investment deposits	26,786,724	19,153,428
Total	245,026,332	281,968,916

8. Customers deposits for banking activities and current accounts

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Letters of credit deposits	169,649,408	169,753,407
Letters of guarantee deposits	27,906,133	26,772,941
Collected deposits	8,559,291	1,374,416
Total	206,114,832	197,900,764

9. Loan of Central Bank of Iraq

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Loan of the Central Bank of Iraq	12,570,600	7,060,000
Total	12,570,600	7,060,000

- This loan represents the amounts granted by the Central Bank of Iraq for the purpose of financing medium and small projects for a period of (5) years.

10. Debit current accounts (other liabilities)

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Approved cheques	787,409	92,217
Bills of exchange withdrawn against the bank	418,375	1,236,927
Accrued and unpaid administrative expenses	542,991	414,392
Cheques withdrawn against the bank	229,008	229,106
Deferred returns/individuals	6,562,141	2,838,285
ATM decrease/increase	40,971	25,964
Commercial activity debtors	173	173
Debtors: Companies/Private Sector	174,605	140,758
Debtors: Individuals/Private Sector	347,124	348,412
Non-commercial activity debtors	5,785,348	8,205,015
Solidarity fund – Murabaha of medium and small scale projects	240,333	179,055
Deduction from associate members for others	68,218	71,462
Financial stamps fees	58,843	197,334
Miscellaneous debit accounts	308,233	432,173
Accounts under settlement	77,447	96,288
Settlement of cards withdrawals	25,126	28,479
Deceased customers balances and compensations	610,709	26,872
Amounts withheld by request of government institutions	823	823
Unclaimed amounts	8,948	13,948
Profits dividends debtors	547,874	559,830
Branch transfers withdrawn on the bank	176,470	-
Outstanding payments/deposits for	89,126	98,127
Outstanding payments/saving	174,208	93,714
Unpaid accrued revenues – saving	77	60,903
Outstanding profits	87,524	18,750
Pre-paid revenues – credit revenues	-	117,939
Distribution contribution reserve/depositors	137,495	56,864
Charity fund- Murabaha	46,620	11,178
Previous years contribution revenues	498,482	549,941
Follow up collections	744	14,974
Total	18,045,445	16,159,903

The accompanying notes from No. (1) to No. (27) are considered an integral part thereon and should be read with them

11. Capital

The Bank was established in (1992) and exercised its activity on 24/04/1993. The table below shows the developments in the capital in the last eight years:

Year	Capital / billion Dinar
2012	152
2013	202
2014	250
2015	250
2016	250
2017	250
2018	250
2019	250
2020	250

12. Reserves

Statutory (mandatory) reserve

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Beginning year balance	5,573,831	4,977,196
Additions	761,058	596,635
Deductions	-	-
End year balance	6,334,889	5,573,831

Other Reserves

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Expansions reserve		
Beginning year balance	2,456,814	2,056,814
Additions	1,553,759	400,000
Deductions	-	-
End year balance	4,010,573	2,456,814

Fixed assets replacement reserve

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Beginning year balance	52,221	51,670
Additions	2,850,217	550
Deductions	(141)	-
End year balance	2,902,297	52,221

Reserve for received shares free of charge

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Beginning year balance	70,864	70,864
Additions	-	-
Deductions	-	-
End year balance	70,864	70,864

General reserve

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Beginning year balance	3,125	3,125
Additions	-	-
Deductions	-	-
End year balance	3,125	3,125

Other reserves summary

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Expansion reserve	4,010,573	2,456,814
Fixed assets replacement reserve	2,902,297	52,221
Reserve for received shares free of charge	70,864	70,864
General reserve	3,125	3,125
Total	6,986,859	2,583,024

Change in fair value reserve

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Beginning year balance	429,297	649,713
Additions	-	-
Deductions	(280,351)	(220,416)
End year balance	148,946	429,297

Note:

The deductions amounting to (280.351) thousand dinars represent the change in the fair value of the financial assets at fair value through other comprehensive income of the Bank.

The accompanying notes from No. (1) to No. (27) are considered an integral part thereon and should be read with them

Profits brought forward

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Beginning year balance	13,553,759	4,787,916
Additions	14,460,104	11,336,064
Deductions	(1,890,497)	(2,570,221)
End year balance	26,123,366	13,553,759

13. Investment revenues

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Investment revenues	177,750	304,519
Investment in Islamic deposit certificate	-	-
Investment in Islamic deposits	-	-
Internal contributions revenue	391	53,614
Total	178,141	358,133



Note:

Revenue from internal contributions: they represent the profits distributed from the Bank's contributions in the capital of the following companies:

Company	Amount / thousand Dinar
Iraqi Company for Seeds Production	391
Total	391

14. Banking Transactions Revenues and Commissions

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Inward transfers commission	6,458	4,492
Outward transfers commission	161,637	2,898,190
Letters of credit commission	2,192,637	4,936,369
Swift commissions	75,422	83,855
Internal guarantee letters commission	9,119,392	8,814,508
Different banking commissions	44,789	6,618
Promissory notes issuance commission	176,382	922,251
Other banking commissions	3,300,386	4,251,444
Refundable communications	9,630	23,409
Total	15,086,733	21,941,136

15-A Selling and buying currencies revenues

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Revenue of selling and buying foreign currencies *	1,141,600	2,396,020
Net revenues of foreign currencies evaluation	346,466	347,480
Total	1,488,066	2,743,500

15-B Currency auction/ Foreign Currency Revenue

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Currency auction revenue	5,585,636	-
Net / Currency auction revenue	5,585,636	-
Total	5,585,636	-

* The foreign currency auction window revenue account has been separated for this year 2020.

The accompanying notes from No. (1) to No. (27) are considered an integral part thereon and should be read with them

16- Leased building rental revenue

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Revenues of leased buildings for others	1,800	-
Total	1,800	-

17- Other banking transactions revenue

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Miscellaneous services revenue	122,523	57,320
Master cards revenues	638,750	144,387
Banking publications revenues	178,251	309,867
Contingent debts	-	14,051
Other revenues	3,438,214	221,375
Total	4,377,738	747,000

Note: Other revenues represent the following:

Details	IQD (thousands)
Revenue from the sale of fixed assets	67,080
Export credits promotion commission	342,359
Cash payment income K-Card	2
Treasury operations revenue	2,737,628
Portfolio transfer fees	29,443
Electronic services revenue	75
Income from broken deposits	125,320
Check books commission	5,844
Portable salary commission	78,576
Administrative fee / grant	51,887
Total	3,438,214

18- Islamic banking revenue

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Murabahat revenue	5,677,023	3,916,679
Contributions revenue	126,044	1,478,583
Total	5,803,067	5,395,262

18-A Islamic banking expenses

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Saving expenses	617,866	141,488
Investment deposits expenses	956,521	1,006,827
Total	1,574,387	1,148,315

19- Banking operations expenses

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Paid banking commissions	46,319	-
Paid banking commissions / local banks	497,507	763,344
Paid banking commissions / external banks	42,610	163,353
Contractual obligations risks	-	1,450,000
Written-off debts	-	2,583
Master card expenses	444,355	341,158
Total	1,030,791	2,720,438

The accompanying notes from No. (1) to No. (27) are considered an integral part thereon and should be read with them

20- Employees' salaries, wages and benefits during the year

Statement	IQD (thousands)	
	31/12/2020	31/12/2019
Employees cash wages	2,877,752	2,751,845
Over-time wages	62,118	74,435
Incentives	608,095	472,072
Professional and technical provisions	56,492	95,264
Compensation provisions	71,535	95,772
Other provisions	624,692	603,493
Unit share in the social security	313,765	296,325
Employees transfer	60,813	70,189
Training and study wages	31,645	22,421
Total	4,706,907	4,481,816

21- General and administrative expenses

Statement	IQD (thousands)	
	31/12/2020	31/12/2019
Fuels and oils	88,600	55,931
Supplies	456,294	430,279
Stationery	70,278	99,576
Water	25,473	6,645
Electricity	102,057	127,629
Buildings and facilities maintenance	61,367	222,845
Machineries and equipment maintenance	22,837	20,475
Transportation means maintenance	28,079	26,456
Office furniture and equipment maintenance	316,687	137,369
Researches and consultations services	589,885	591,517
Advertising	55,540	88,499
Printing and publication	31,603	38,687
Entertainment	17,785	24,322
Celebrations	-	17,259
Conferences and seminars	16,905	66,800
Goods and commodities transport	266,323	394,373
Travel and delegation for the activity purposes	88,515	234,638
General communications	264,511	229,362
Lease building and facilities	971,039	867,476
Subscriptions and memberships	407,824	213,883
Remunerations for non-employees for unperformed services	85,020	46,350
Service / legal expenses	28,067	23,511
Central Bank auditing charges	32,300	58,750
Accounts auditing charges / Accounts Controller	72,200	69,000
Periodic auditing charges	18,000	-
Banking services	22,381	27,189
Other services expenses	517,567	510,216
Electronic card expenses	12,673	40,934
Total	4,669,810	4,669,971

The accompanying notes from No. (1) to No. (27) are considered an integral part thereon and should be read with them

22- Depreciations

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Buildings and facilities depreciation	666,761	792,457
Machineries and equipment depreciation	28,518	20,962
Transportation means depreciation	81,553	59,762
Office furniture and equipment depreciation	877,665	291,579
Decorations and fixtures depreciation	36,275	22,054
Systems and software depreciation	-	871,328
Total	1,690,772	2,058,142

23- Other expenses

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Donations for others	329,500	72,000
Compensations and penalties	19,278	15,940
Different taxes and fees *	440,434	422,192
Subsidies for others	38,455	39,150
Previous years expenses	-	26,202
Loss of securities selling	-	15,025
Total	827,667	590,509

- Within the account of donations to others, an amount of (172) million dinars was donated to government agencies, including (100) million dinars to the Ministry of Health and (72) million dinars to the Central Bank of Iraq (175,500) thousand dinars for the benefit of the Solidarity Fund for the displaced and Husaiba camp for the displaced.

- Within the taxes and fees account, an amount of (96,724) thousand dinars is fees for government agencies, and the remaining workers' taxes amounting to (343,710) thousand dinars.

24- Income tax

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Net profit (loss) under the income statement, Note B		18,011,102
Add: tax unaccepted expenses:		
Donations for others	179,500	
Compensations and penalties	19,278	
Employees taxes and fees	343,710	
Operating risks provision	9,745	
Subsidies for others	38,455	
Tax unaccepted expenses		590,688
		18,601,790
Less: tax exempted revenue:		
Contributions revenue		(391)
Real estate lease revenue		(1,800)
Total revenues		(2,191)
Taxable profit		18,599,599
(15%) tax		
Realized tax		2,789,940

Notes:

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

- The Bank paid the amounts due for income tax for the year 2019 and a receipt was obtained confirming the amount paid from the General Commission for Taxes. The tax due for the year ending on January 31, 2020 will be paid during 2021.

25- Contractual obligations and equivalent and collected deposits:

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Letters of credit	348,774,264	236,531,999
Less: letters of credit deposits	(169,649,408)	(169,753,407)
	179,124,856	66,778,592
Obligations against internal letters of guarantee / Dinar	125,408,705	123,573,627
Obligations against internal letters of guarantee / Dollar	60,970,669	90,013,043
	186,379,374	213,586,670
Less: deposits against internal letters of guarantee / Dinar	(22,541,109)	(22,187,723)
Less: deposits against internal letters of guarantee / Dollar	(5,365,024)	(4,585,218)
	(27,906,133)	(26,772,941)
	158,473,241	186,813,729
Obligations against external letters of guarantee	-	-
Less: deposits against external letters of guarantee	-	-
	-	-
Net total contractual obligations carried to the financial position	337,598,097	253,592,321

26- Earnings per share of the year profit:

The basic and diluted earnings per share for the year were calculated by dividing the net profit for the year by the weighted average number of outstanding shares as follows:

Statement	IQD (thousands)	IQD (thousands)
	31/12/2020	31/12/2019
Net profit of the year	14,460,104	12,285,398
Number of shares in issue (total principal capital)	250,000,000	250,000,000
	Dinar / Fils	Dinar / Fils
Earnings per share of the year profit	0,058	0,048

• The share price of the Iraqi Islamic Bank reached (0.380) dinars according to the trading bulletin in the regular market of Iraq Stock Exchange in Thursday's session, 24/12/2020.



The accompanying notes from No. (1) to No. (27) are considered an integral part thereon and should be read with them

27- Currency auction window:

Statement	Purchased amounts			Sold amounts			Revenue
	Size of purchases	Purchase price	Size of purchases	Size of sales	Selling price	Size of sales	
	Dollar	Dinar	Dinar	Dollar	Dinar	Dinar	
Currency auction / transfers from 23/12/2019 up to 31/12/2019	28,317,000	1,190	33,697,230,000	28,317,000	1,193	33,782,181,000	84,951,000
	7,082,000	1,190	8,427,580,000	7,082,000	1,195	8,462,990,000	35,410,000
Total transfers 2019	35,399,000	1,190	42,124,810,000	35,399,000		42,245,171,000	120,361,000
Transfers from 01/01/2020 up to 26/12/2020	173,933,000	1,190	206,980,270,000	173,933,000	1,191	207,154,203,000	173,933,000
	16,331,000	1,190	19,433,890,000	16,331,000	1,192	19,466,552,000	32,662,000
	432,133,000	1,190	514,238,270,000	432,133,000	1,193	515,534,669,000	1,296,399,000
	11,345,000	1,190	13,500,550,000	11,345,000	1,194	13,545,930,000	45,380,000
	305,874,000	1,190	363,990,060,000	305,874,000	1,195	365,519,430,000	1,529,370,000
	310,523,000	1,190	369,522,370,000	310,523,000	1,197	371,696,031,000	2,173,661,000
	7,662,000	1,190	9,117,780,000	7,662,000	1,200	9,194,400,000	76,620,000
Total transfers 2020	1,257,801,000	1,190	1,496,783,190,000	1,257,801,000		1,502,111,215,000	5,328,025,000
Total transfers 2019/2020	1,293,200,000	1,190	1,538,908,000,000	1,293,200,000		1,544,356,386,000	5,448,386,000
Bank share	/	/	/	/	/	/	/
Credits	/	/	/	/	/	/	/
Exchange Companies	42,950,000	1,190	51,110,500,000	42,950,000	1,193	51,239,350,000	128,850,000
	1680,000	1,190	1,999,200,000	1680,000	1,195	2,007,600,000	8,400,000
Total purchases for exchange companies	44,630,000	1,190	53,109,700,000	44,630,000		53,246,950,000	137,250,000
Total Purchases	1,337,830,000		1,592,017,700,000	1,337,830,000		1,597,603,336,000	5,585,636,000



The accompanying notes from No. (1) to No. (27) are considered an integral part thereon and should be read with them



المصرف العراقي الإسلامي
للإستثمار والتنمية
IRAQI ISLAMIC BANK
For Investment & Development

MORE THAN
24 MILLION
STORES AND ATMS
AROUND THE WORLD



بطاقة السفر
Travel MasterCard



078 02 800 999

www.iraqiislamicb.iq

[f](#) [t](#) [in](#) [v](#) Iraqislamicb