

CIHAN Bank for Islamic Investment and Finance

Private Shareholding Company

Consolidated Financial Statements

For The Fiscal Year Ended December 31, 2021

Faeq H. Noqrooz Ali Office
Legal Accountant & Auditor
CPA

Fayeq M. Al-Obaidi Office
Legal Accountant & Auditor
MBA, CPA

No.: G/ 1 / 4

Date: 30/03/2020

To: Shareholders of Cihan Bank for Islamic Investment and Finance

Subject: Independent Auditors' Report

Opinion:

We have audited the financial statements of Cihan Bank for Islamic Investment and Finance (the Bank), which comprise the statement of financial position as at December 31, 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and financial statement notes, in addition to a summary of most significant accounting policies.

In our opinion, the accompanying financial statements fairly reflects, the bank's financial position in every significant aspects as at December 31, 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and Islamic Financial Accounting Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Basis for Opinion:

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and Professional Ethics Standards applied in the Republic of Iraq, and we have fulfilled our responsibilities accordingly.

We believe that the audit evidences which we have obtained are sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters:

1- Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

a. Impairment of Islamic financing and investing assets:

Refer to note 6 and 7 of the financial statements.

The Bank estimated the anticipated credit losses on defaulted debts. The risk is that the carrying value of Islamic financing and investing activities held at amortized cost may be misstated. Impairment is a subjective area due to the level of judgment applied by management in determining the impairment allowance. Due to the significance of Islamic financing and investing activities and the related estimation uncertainty, this is considered a key audit matter. Judgment is applied to determine appropriate stage to classify the debt or finance into anticipated credit loss.

We used our knowledge to assess the trends in the local credit environment and considered the likely impact on the Bank's exposures to focus our testing on key risk areas.

We noticed the reduction in the total amount of credit financing from IQD 85,963,475,000 in 2020 to IQD 42,636,395,000 in 2021. The reason for that is the reduction in bad debts from IQD 48,390,589,000 in 2020 to IQD 14,372,886,000 in 2021. Knowing that defaulted debts forms 5% of owner's equity.

b. Operational risks:

Operational risks come from potential losses due to the failure of the Bank's internal operations, systems or management, or because of internal and external events and fraud. The Basel II / Pillar I and CBI regulations require the Bank to establish a framework that ensures control and

management of these risks to the extent of risk appetite, as well as monitoring, recording and processing related events. It is also necessary for the Bank to measure these risks (the method adopted is the basic indicator method which means taking the rate of 15% of the average operational profit for the previous three years) and adding it to the capital adequacy ratio. This was done in accordance with table (t) in paragraph (31) which includes a statement of how capital is calculated to cover operational risk.

c. Cash with foreign banks:

The balance with foreign banks amounted IQD 92,331,344,000 as at December 31, 2021 (note 5) represents the balances with correspondent banks and other financial institutions. The risk related to those accounts comes from non-performing the reconciliations and adjustments in certain dates which lead to the loss of Bank's rights in case of charging the Bank with incorrect entries. Our efforts concentrated on ascertaining performing of reconciliations and corrections in certain dates.

2- **IFRSs:** The Bank applies IFRSs. In 2020 the Bank applies IFRS 9 and continued in this application during the current year (2021) in compliance with the Islamic banking environment, throughout the recognition analysis of the quantitative impact.

3- The balance of cash difference;

We have referred in our report on the financial statements of the Bank for the year 2020 that the Bank implemented CBI's instructions No. 9/3/16994 dated 18/11/2020 containing the approval to acquire Cihan University which is owned by the major shareholders of the Bank in order to adjust the balance of cash discrepancies account (evaluation of foreign currencies) which amounted to IQD 113,957,353,000 as at December 31, 2019. The Bank took the following procedures during 2020 and 2021:

a. BOD approved the above-mentioned CBI's instruction on 26/11/2020.

- b. Cihan University's real-estates in Erbil and Duhok have been evaluated by USD 421,009,935 or IQD equivalent 614,674,505,000.
- c. All shares of Cihan University have been registered in the name of Cihan Bank according to the administrative decision No. 16789 dated 22/12/2020 issued by Directorate General of Company Registration in Erbil.
- d. The Bank recorded the above-mentioned value as an investment in subsidiaries.
- e. Lands and constructions of both of Cihan University' branches in Erbil and Duhok has been transferred to the bank and has been re-evaluated, an amount of IQD 452,272,136,000 has been recoded under "Other Liabilities", hence we recommend moving it to "Reserves" (Assets Re-evaluation Reserve).

4- The Bank ability to meet its commitments to depositors:

- a. The Bank has cash liquidity in national and foreign currencies that enables it to meet its commitments against the depositors during next year, especially in national currency where its cash assets amounted to IQD 557,920,717,000 while the balance of its depositors equal to IQD 475,437,331,000 as at the end of the fiscal year.
- b. The cash assets in foreign currencies amounted to USD 226,670,000 (equal to IQD 330,937,976,000) are representing 89% of total cash assets.
- c. The balance of foreign cash assets (USD 226,670,000) is **not** enabling the Bank to meet its immediate commitments (amounted to USD 254,515,000) against its depositors in the same currency.
- d. The ratio of foreign currency position to the Bank's capital and sound reserves was 12%.

Other information:

The bank's management is responsible for the other information included in its annual report. Our opinion on financial statements does not cover the other information and we do not give any assurance or conclusion on the same.

Responsibilities of Management and Those in Charge of Governance for the Financial Statements:

Management is responsible for the preparation of the financial statements in accordance with legal requirements, IFRSs and Islamic Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those in charged of governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for Auditing the Financial Statements:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the users' economic decisions taken on the basis of these financial statements.

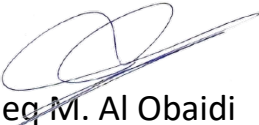
Report on other legal and regulatory requirements:

In addition to above mentioned, we express the following notes in accordance with legal requirements adopted in Iraq:

1. The accounting books used by the Bank comply with the requirements of Bookkeeping Regulation. In our opinion, they included all assets, liabilities, revenues and expenditures of

- the Bank, and that the financial statements of the Bank are in compliance with its books and with the CBI instructions.
2. The Islamic Banking Law No. 43 of 2015 as well as the resolutions of CBI requiring all banks to prepare and present its financial statements in accordance with IFRSs. However, the Bank continued in preparing its accounts in accordance with Uniform Accounting System during 2020 as the core banking system programmed with that system. The Bank translated its financial statements to IFRSs at the end of the year.
 3. The ad hoc committee on anti-money laundering continued in its work during the year in accordance with CBI directions and relating laws.
 4. The internal audit department in the main branch performed their audit tasks and provided periodical reports. We believe that these reports were generally acceptable. But most of the other branches do not have internal audit departments therefore we recommend establish such departments in the branches and supporting them with qualified auditors to enable them to cover branches' activities.
 5. The Bank's management conducted a physical verification of the fixed and cash assets in proper manner under our supervision. The results came in conformity with the Bank's books. The evaluation of those assets made in accordance with adopted accounting principles and standards.
 6. The annual report, including the financial and accounting information, reflects the view of Bank's Management.

Erbil in 30-03-2022


Faeg M. Al Obaidi


Faeg H. Newroz

Chartered Accountants & Auditors

CIHAN Bank for Islamic Investment and Finance

Consolidated Statement of Financial Position as at Dec.31, 2021

	31/12/2021 IQD 1000	31/12/2020 IQD 1000
ASSETS		
Cash and balances with Central Bank of Iraq	464,856,416	393,095,489
Balances with other banks	93,064,301	70,954,464
Islamic financing assets (net)	32,739,055	34,329,671
Qardh Hasn (Non -interest loans)	68,700	14,800
Investments (net)	8,286,036	59,211,931
Assets held as a result of debt settlement (net)	710,800	969,633
Other assets (net)	34,851,734	130,661,985
Intangibles	5,335,664	810,332
Property, plants and Equipment (net)	614,076,680	8,094,125
Project in progress	9,040,560	11,487,154
Total assets	1,263,029,946	709,629,584
LIABILITIES & OWNERS EQUITY		
LIABILITIES		
Customers' deposits	472,043,399	380,603,829
Deposits on banking operations	35,660,728	42,378,775
Other liabilities	463,661,144	1,833,902
CBI Financing	150,000	500,000
Provisions	5,942,207	6,326,910
Total liabilities	977,457,478	431,643,416
EQUITY		
Capital	255,000,000	255,000,000
Reserves	19,866,632	19,524,848
Retained earnings	10,705,836	3,461,320
Total equity	285,572,468	277,986,168
Total liabilities & equity	1,263,029,946	709,629,584

Saad B. Abdulahad

FCO

Ahmed A.K Ismael

CEO

Azad Y.S. Bajger

Chairman

Subject to our report No. G/1/4 in 30/03/2022

Faiq M Al Obaidi

Faiq H. Nawrooz

Chartered Accountants & Auditors

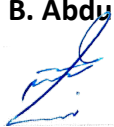
CIHAN Bank for Islamic Investment and Finance

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year ended Dec. 31, 2021

	2021 IQD 1000	2020 IQD 1000
Operating income		
Islamic finance income	815,482	1,678,162
Fees & commissions income (net)	12,494,730	10,290,426
Investment income	3,506,262	1,434,346
Income from trade of foreign exchange	4,471,985	7,684,030
Misc. banking income	24,814,056	4,095,324
Total operating income	46,102,515	25,182,288
Operating expenses		
Salaries and related charges	9,208,548	4,341,940
Administrative & general expenses	13,992,037	4,974,437
Depreciation & amortization	5,201,599	2,028,735
Taxes & duties	489,597	2,560
Credit risk allowance	0	5,000,000
Investment impairment	0	250,000
Other expenses	6,625,990	2,659,654
Total expenses	35,517,771	19,257,326
Profit before distribution to depositors	10,584,744	5,924,962
Other comprehensive income	0	0
Comprehensive income for the year	10,584,744	5,924,962
Minus: distributions to depositors	(1,000,000)	(2,000,000)
Profit before tax	9,584,744	3,924,962
Minus: Income tax	(1,206,295)	(590,994)
Profit after tax	8,378,449	3,333,968

Saad B. Abdulahad

FCO



Ahmed A.K Ismael

CEO



Azad Y.S. Bajger

Chairman



CIHAN Bank for Islamic Investment and Finance
Consolidated Statement of Changes in Equity
For the year ended December 31, 2021

	Capital IQD 1000	Capital reserve IQD 1000	Legal reserve IQD 1000	Retained earnings IQD 1000	Total IQD 1000
Balance at Jan,1, 2021	255,000,000	8,804,940	10,719,908	3,461,320	277,986,168
Additions		341,784	0	6,493,890	6,835,674
Net income of subsidiary				750,626	750,626
Balance at Dec. 31,2021	255,000,000	49,146,72	10,719,908	10,705,836	285,572,468

CIHAN Bank for Islamic Investment and Finance
Consolidated Statement of Cash Flows for the year ended dec.31, 2021

	2021 IQD 1000	2020 IQD 1000
Cash flows from operating activities		
Net Profit for the year	8,378,449	3,333,968
Adjustment for:		
Depreciation & amortization for the year	5,201,599	2,028,735
Minus: depreciation of disposals	(4,271,833)	(69,387)
Net impairment of credit facilities	(41,736,464)	25,350,708
Income tax provision	1,206,295	590,994
Other provisions	29,733,721	3,269,075
Sub- total)1,488,233(34,504,093
Changes in operating assets & liabilities		
Islamic financing	43,327,080	(22,404,384)
Other assets	105,607,284	81,521,681
Customer's deposits	91,439,570	77,275,236
Deposits on banking operations	(6,718,047)	9,874,851
Other liabilities	451,919,775	193,121
Qardh Hasan	(53,900)	38,485
Sub- total	685,521,762	146,498,990
Total Cash flows from operating activities	684,033,529	181,003,083
Minus: Income tax paid	(590,994)	(88,904)
Net cash flows from operating activities	683,442,535	180,914,179
Cash flows from investing activities		
Acquisition/ disposal of fixed assets	5,040,053	(6,540,321)
Acquisition of investments	20,192,170	(1,165,131)
Intangibles	(5,493,226)	5,858,699
Projects in progress	2,446,594	(3,950,150)
Real estates held for default loans	(45,859)	
Net cash flow from investing activities	22,139,732	(5,796,903)
Cash flows from financing activities		
Finance received from CBI	(350,000)	(200,000)
Cancelation of expansion reserve	(614,674,505)	(12,850,096)
Dividend		(4,000,000)
Net cash flow from financing activities	(615,024,505)	(17,050,096)
Net cash flows	90,557,762	158,067,180
Cash and its equivalent at Jan. 1	467,362,955	305,982,773
Cash and its equivalent at Dec. 31	557,920,717	464,049,953

CIHAN Bank for Islamic Investment and Finance
Private Shareholding Company
Financial Statements & Audit Report
For The Fiscal Year Ended December 31, 2021

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CIHAN Bank for Islamic Investment and Finance
Statement of Financial Position as at Dec.31, 2021

	Notes	31/12/2021 IQD 1000	31/12/2020 IQD 1000
ASSETS			
Cash and balances with Central Bank of Iraq	4	464,856,416	393,095,489
Balances with other banks	5	93,064,301	70,954,464
Islamic financing assets (net)	6	32,739,055	34,329,671
Qardh Hasn (Non -interest loans)	7	68,700	14,800
Investments (net)	8	622,860,541	59,211,931
Assets held as a result of debt settlement (net)	9	710,800	969,633
Other assets (net)	10	20,368,810	130,661,985
Intangibles	11	5,335,664	810,332
Property, plants and Equipment (net)	12	5,857,827	8,094,125
Project in progress	13	9,040,560	11,487,154
Total assets		1,254,902,674	709,629,584
LIABILITIES & OWNERS EQUITY			
LIABILITIES			
Customers' deposits	14	475,437,331	380,603,829
Deposits on banking operations	15	35,660,728	42,378,775
Other liabilities	16	452,890,566	1,833,902
CBI Financing	17	150,000	500,000
Provisions	18	5,942,207	6,326,910
Total liabilities		970,080,832	431,643,416
EQUITY			
Capital		255,000,000	255,000,000
Reserves		19,866,632	19,524,848
Retained earnings		9,955,210	3,461,320
Total equity		284,821,842	277,986,168
Total liabilities & equity		1,254,902,674	709,629,584

Saad B. Abdulahad

Ahmed A.K Ismael

Azad Y.S. Bajger

FCO

CEO

Chairman

Subject to our report No. G/1/4 in 30/03/2022

Faiq M Al Obaidi

Faiq H. Nawrooz

Chartered Accountants & Auditors

The accompanying notes from 1 to 30 form an integral part of the financial statements

CIHAN Bank for Islamic Investment and Finance

Statement of Profit or Loss and Other Comprehensive Income for the financial year ended Dec. 31, 2021

	Notes	2021 IQD 1000	2020 IQD 1000
Operating income			
Islamic finance income	19	815,482	1,678,162
Fees & commissions income (net)	20	12,494,730	10,290,426
Investment income	21	3,506,262	1,434,346
Income from trade of foreign exchange	22	4,471,985	7,684,030
Misc. banking income	23	3,821,995	4,095,324
Total operating income		25,110,454	25,182,288
Operating expenses			
Salaries and related charges	24	4,589,004	4,341,940
Administrative & general expenses	25	6,761,025	4,974,437
Depreciation & amortization	9/11/12	1,919,880	2,028,735
Taxes & duties	26	62,637	2,560
Credit risk allowance	6	0	5,000,000
Investment impairment	8	0	250,000
Other expenses	27	2,735,939	2,659,654
Total expenses		16,068,485	19,257,326
Profit before distribution to depositors		9,041,969	5,924,962
Minus: distributions to depositors		0	0
Profit before tax		9,041,969	5,924,962
Minus: Income tax		(1,000,000)	(2,000,000)
Profit after tax		8,041,969	3,924,962
Other comprehensive income	18	(1,206,295)	(590,994)
Comprehensive income for the year		6,835,674	3,333,968

Comprehensive income distributed as follows:

	2021 IQD 1000	2020 IQD 1000
Expansion reserve	341,784	166,698
Capital reserve	0	166,698
Legal reserve	0	0
Retained Earnings	6,493,890	3,000,572
Total	6,835,674	3,333,968

The accompanying notes from 1 to 30 form an integral part of the financial
statements

CIHAN Bank for Islamic Investment and Finance

Statement of Changes in Equity

For the year ended December 31, 2021

	Capital IQD 1000	Capital reserve IQD 1000	Legal reserve IQD 1000	Retained earnings IQD 1000	Total IQD 1000
Balance at Jan,1, 2021	255,000,000	8,804,940	10,719,908	3,461,320	277,986,168
Additions		341,784	0	6,493,890	6,835,674
Deductions					
Balance at Dec. 31,2021	255,000,000	49,146,72	10,719,908	9,955,210	284,821,842

Statement of Changes in Equity

For the year ended December 31, 2020

	Capital IQD 1000	Capital reserve IQD 1000	Expansion Reserve IQD 1000	Legal reserve IQD 1000	Retained earnings IQD 1000	Total IQD 1000
Balance at Jan,1, 2020	255,000,000	8,638,242	12,850,096	10,553,210	4,460,748	291,502,296
Additions	0	166,698		166,698	3,000,572	3,333,968
Dividend	0				(4,000,000)	(4,000,000)
Adjustments			(12,850,096)			(12,850,096)
Balance at Dec. 31,2020	255,000,000	8,804,940	0	10,719,908	3,461,320	277,986,168

**The accompanying notes from 1 to 30 form an integral part of the
financial statements**

CIHAN Bank for Islamic Investment and Finance
Statement of Cash Flows for the year ended dec.31, 2021

	Notes	2021 IQD 1000	2020 IQD 1000
Cash flows from operating activities			
Net Profit for the year		6,835,674	3,333,968
Adjustment for:			
Depreciation & amortization for the year	9/11/12	1,919,880	2,028,735
Minus: depreciation of disposals		(4,059,595)	(69,387)
Net impairment of credit facilities	6	(41,736,464)	25,350,708
Income tax provision	18	1,206,295	590,994
Other provisions	18	29,733,721	3,269,075
Sub- total		(6,100,489)	34,504,093
Changes in operating assets & liabilities			
Islamic financing	6	43,327,080	(22,404,384)
Other assets	9/10	110,293,175	81,521,681
Customer's deposits	14	94,833,502	77,275,236
Deposits on banking operations	15	(6,718,047)	9,874,851
Other liabilities	16	451,056,664	193,121
Qardh Hasan	7	(53,900)	38,485
Sub- total		692,738,474	146,498,990
Total Cash flows from operating activities		686,637,985	181,003,083
Minus: Income tax paid		(590,994)	(88,904)
Net cash flows from operating activities		686,046,991	180,914,179
Cash flows from investing activities			
Acquisition/ disposal of fixed assets	12	5,648,599	(6,540,321)
Acquisition of investments	8	(594,382,335)	(1,165,131)
Intangibles	11	(5,493,226)	5,858,699
Projects in progress	13	2,446,594	(3,950,150)
Real estates held for default loans		(45,859)	
Net cash flow from investing activities		(591,826,227)	(5,796,903)
Cash flows from financing activities			
Finance received from CBI	17	(350,000)	(200,000)
Cancelation of expansion reserve		0	(12,850,096)
Dividend		0	(4,000,000)
Net cash flow from financing activities		(350,000)	(17,050,096)
Net cash flows		93,870,764	158,067,180
Cash and its equivalent at Jan. 1	5/4	464,049,953	305,982,773
Cash and its equivalent at Dec. 31	4/5	557,920,717	464,049,953

The accompanying notes from 1 to 30 form an integral part of the financial statements

CIHAN Bank for Islamic Investment and Finance

Notes Statements

For the year ended December 31, 2021

1. General Information:

CIHAN Bank for Islamic Investment and Finance, Private Shareholding Company (the Bank) was incorporated in 2008 and commenced his activities on April 1, 2009. The Bank provides all banking and financial services throughout 11 branches: two of them in Erbil, two in each of Sulaymaniyah and Duhok and one branch in each of Baghdad, Basra, Najaf, Kirkuk and Mosul. The Bank acts in accordance with the Islamic Sharia (doctrine) principles and provisions. The Bank has a Sharia Supervisory Board to check and direct all of its activities.

The Bank is subject to Iraqi companies' law No. 21 of 1997 as amended, banking law No. 94 of 2004 and Islamic banking law No. 43 of 2015. The Governing Board of Iraq Stock Exchange Market approved the listing of the Bank stock by its resolution No. 9 on January 9, 2017.

2. Accounting Policies:

a. The financial statements of the Bank were prepared in accordance with Financial Accounting Standards (FASs) issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAIOFI) and in accordance with International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB) in concerns which are not covered by Islamic Financial Accounting Standards, as well, in compliance with local laws and CBI regulations.

b. **New and amended IFRSs:** The following new and amended IFRSs have been enforced starting from 01/01/2020, and the status of its application by the Bank:

- Amendment to International Financial Reporting Standard No. (9) – Financial Instruments.
- Amendments to International Accounting Standard No. (39) - Financial Instruments: Recognition & Measurement.
- Amending International Financial Reporting Standard No. (7) – Financial Instruments: Disclosure.

- Amendment of International Accounting Standard No. 16 related to the second stage of the standard profit rate reforms.
- c. **New and amended standards in issue but not yet effective:**
- Standard IFRS17 (Insurance Contracts) (date of application 1/1/2022), which was amended in 2020 to start application in 1/1/2023: This standard concerns insurance companies and insurance activities.
 - Amendments to IFRS 3: Business Combinations with reference to the conceptual framework. (The date of application is 1/1/2022).
 - Amendment to International Accounting Standard No. (16) - Property, plant and equipment, related to returns before intended use: (application date 1/1/2022).
 - Amendment to International Accounting Standard No. (37) - Provisions, Contingent Liabilities and Contingent Assets Related to Onerous Contracts: (Application date 1/1/2022).
 - Amendments to International Accounting Standard No. (1) - Presentation of Financial Statements, related to the classification of liabilities into current and non-current: (date of application 1/1/2023).
 - Amendments to International Accounting Standard No. (8) - Accounting Policies and Changes in Accounting Estimates and Errors. (The date of application is 1/1/2023).
- d. **Basis of preparation:** The Bank adopted the principle of historical cost in the preparation of its financial statements, except for properties investments and equity instruments stated in fair value throughout equity items or profit or loss items, which are measured by fair value.
- e. **Reporting Currency:** The financial statements of the Bank were presented in Iraqi Dinar (IQD). All values were approximated to the nearest IQD 1000 unless otherwise stated.
- f. **Foreign Currencies:** In preparing the financial statements of the Bank, transactions in currencies other than functional currency are recognized at the rate of exchange prevailing at the dates of transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date of financial

position statement. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise. The Bank adopted the following exchange rates:

	At Dec. 31,2021	At Dec. 31,2020
Exchange rate of 1USD against IQD	1460	1460
Exchange rate of 1Euro against IQD	1648	1792

- g. **Islamic Financing Assets:** Islamic financing assets comprise Sharia compliant financing contracts with fixed or determinable payments. These include financing provided through Murabaha, Mudharaba, Musharaka, Ijarah, Istisna and Salam. Islamic financing assets are recognized on the date at which they are originated and carried at their amortized cost less impairment allowance, if any, and less any deferred profits.

Murabaha financing consists mainly of credit sales transactions, where the Bank purchases the commodity and then resell it to the customer after adding profit margin to the cost. The Customer should settle the sale price in installments within agreed upon period.

Musharaka financing are a form of capital partnership. Musharaka financing are stated at the fair value of consideration given less impairment, if any. Musharaka financing capital provided by the Bank at the inception in assets (other than cash) is measured at the fair value of the assets. If the valuation of the assets results in a difference between fair value and book value, such difference is recognized as profit or loss to the Bank.

Assets acquired for the purpose of leasing (Ijarah Muntahia Biltamleek) are stated at cost less accumulated depreciation and any impairment in value under the terms of lease. The legal title of assets passes to the lessee at the end of lease

term, provided that all lease instalments are settled. Depreciation is calculated on the straight-line basis at the rate that systematically reduce the cost of the leased assets over the period of the lease.

In case of Mudharaba, financing assets are represented by amounts submitted by the Bank to customers (Mudharaba capital) less any losses occurred during the period unless incurred by the customer as a result of his/her negligence in executing the terms of contract.

Salam financing assets are amounts provided by the Bank in advance against well described commodities received later. Salam receivable assets are measured at accrued amounts by the end of the year less the provision of doubtful debts, if any.

Finally, Financing Istisna assets are the amounts submitted by the Bank to build/ manufacture agreed upon things less any payments settled by the customers and less the provision of doubtful debts, if any.

- h. **Investment securities:** Investment securities comprise debt type instruments carried at amortized cost; equity type instruments carried at fair value through equity. All investment securities are initially recognized at fair value, being the value of considerations given including transaction costs directly attributable to the acquisition, except in the case of the investments carried at fair value through income statement, where transaction costs are expensed in the income statement.
- i. **Financial Instruments:** The Bank applied the International Financial Reporting Standard No. 9 which includes three aspects: classification and measurement, impairment and hedge accounting.

About classification and measurement, the standard reclassified the financial instruments into three categories: at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.

About hedge accounting, the standard introduced new rules that intend to align hedge accounting with the risk management practices. IFRS9 included an accounting

policy choice to defer the adoption of hedge accounting and continue applying rules stipulated in IAS 39.

About the impairment, the standard introduces a new single model for the measurement of impairment losses on all financial assets including loans and debt securities measured at amortized cost or at fair value through OCI. The IFRS 9 replaces the current “incurred loss” model of IAS 39 to a forward-looking expected credit loss model.

IFRS 9 considers the calculation of ECL by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The Bank will develop methodologies and models taking into account the relative size, quality and complexity of the portfolios.

The Expected Credit Loss (ECL) model contains a three-stage approach, which is based on the change in credit quality of financial assets since initial recognition. Expected credit losses reflect the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception.

Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded.

Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded.

Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

Assessment of significant increase in credit risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increase significantly since origination, the Bank compares the risk of default occurring over the expected life of the financial assets at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Bank's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant and at the segment level for retail exposures.

Macroeconomic factors, forward looking information and multiple scenarios

IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporate forecasts of future economic conditions. Macroeconomic factors and forward looking information is required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

Experienced credit judgment

The IFRS9 ECL allowance methodology requires the use of experienced credit judgment to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

When measuring ECL, the Bank consider the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options.

- j. **Fair value measurement of financial instruments:** For investments traded in organized financial markets, Fair value is determined by reference to quoted market bid prices at the

close of business on the reporting date. For investments where there is no quoted price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows, the cash equivalent values are determined by the Bank at current profit rates for contracts with similar terms and risk characteristic. Investments classified at fair value through equity where there is no quoted prices or the Bank unable to determine a reliable measure of fair value on a continuing basis, such investments are stated at cost less impairment allowance.

- k. **Property, plant and equipment:** Property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment loss, if any. Depreciation is recognized by using straight line method in accordance with regulation prevailing in Iraq, over their estimated useful lives, as follows:

Class of assets	Useful life
Properties	20 years
Equipment	5 years
Vehicles & Automobiles	5 years
Furniture & office equipment	5 years

Gain or loss arising on the disposal of an asset is recognized in the profit or loss.

- l. **Impairment of tangible and intangible assets:** At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indicator that those assets have suffered an impairment loss. If any such indicator exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value

of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

- m. **Provisions:** Provision is recognized if, a result of a past event, has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.
- n. **Current deposits:** The Bank do not pay any interests or profits to the holders of current deposits. At the date of transaction, the Bank measures the transactions at the cash value it expects to realize and receive. At the end of reporting period, those deposits are measured at their book value.
- o. **The rights of the holders of investment accounts:** The investment accounts comprise restricted and unrestricted investments received from customers in modes of Mudharaba or Wikala, including saving accounts. All those accounts are reported at cost plus accrued profit and related reserves. The reserves comprise the investment risk reserve and profit smoothing reserve. The investment risk reserve is the amounts appropriated by the Bank out of the income of investment accounts holders, after allocating the Mudharib share in order to hedge against future expected losses. The profit smoothing (equalization) reserve is the amounts appropriated by the Bank out of the Mudharaba income before allocating the Mudharib share in order to maintain a certain level of return to investors.
- p. **Revenue recognition:** The Bank adopts the following policies for revenue recognition:
 - Income from Murabaha contracts is recognized when the income can be determined in the contract and can be calculated at origination, on a time appropriated-basis over the period of the contract. While undetermined or unknown income of the murabaha contract shall not be recognized until it is actually collected or its collectability is assured. The income accrued on accounts delayed for 90 days or more is not recognized.
 - Income from Mudharaba and Musharaka contracts is recognized in the profit or loss when the right

established to receive payment or on distribution by Mudharib or partner. The income accrued on accounts delayed for 90 days or more is not recognized.

- Income from Ijarah Muntahia Biltamleek is recognized proportionately over the time of lease after deducting the depreciation expense.
 - Income from Istisna and Salam contracts is recognized proportionately over the time of the contract when it is determinable.
 - Income from commissions and fees is recognized when earned.
 - Other comprehensive income is recognized when the right established to receive payment.
- q. **Earnings prohibited by Sharia:** The Bank committed to avoid recognizing any income generated from non-compliant sources. Accordingly, all non-compliant income is credited to charity fund where the Bank use this fund for charity and social activities.
- r. **Zakat:** Zakat is calculated in accordance with FAS 9 issued by AAOIFI using the net investing fund method. Zakat is paid by the shareholders and the investment accounts holders themselves.
- s. **Income tax:** The Bank calculates the tax provision in accordance with Iraqi Income Tax Law No. 113 of 1982 and its amendments, which determines the tax rate at 15% of the net taxable profit.
- t. **Going concern assumption:** The Bank's management has assessed the Bank's ability to continue as a going concern and satisfied that the Bank has the sufficient resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.
- u. **Cash and cash equivalents:** Cash and cash equivalents comprise balances with original maturity of a period of three months or less. They include cash in vaults of the Bank, cash and balances with central bank and balances with other banks

and financial institutions after deducting deposits of other banks and financial institutions (with original maturity of 3 months or less) and restricted balances.

3. Critical Accounting Estimations:

In the application of the Bank's accounting policies, management is required to make decisions, estimates and assumptions about the carrying amounts of assets and liabilities and changes in the fair values during the year. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The key estimates include:

- Provisions for impairment of credit facilities.
- Determination of fair values of financial instruments that are not quoted in active markets.
- Provision for income tax.
- The estimated useful lives of fixed assets.
- Impairment of assets.

4. Cash and Balances with CBI:

This caption comprises the following:

	As of Dec. 31,2021 IQD 1000	As of Dec. 31,2020 IQD 1000
Cash in treasury (IQD)	112,063,469	39,915,046
Cash in treasury (Foreign Currencies)	163,854,786	152,255,489
Cash balance with CBI/ Baghdad	124,168,569	176,512,087
Cash balance with CBI/ Erbil	1,824,031	1,881,715
Cash balance with CBI/ Sulaymaniyah	61,519	29,618
Cash balance with CBI/ Basra	11,830	3,012,131
Cash balance with CBI/ Mosul	10,215	10,215
Legal deposit with CBI	28,129,155	14,230,642
LG deposits with CBI	584,510	1,723,922

Cheques at clearance	218,422	3,345,749
Gold medals	40,390	178,875
Cash in transit	33,889,520	0
Total	464,856,416	393,095,489

5. Balances with Banks:

This caption comprises the following:

	As of Dec. 31,2021 IQD 1000	As of Dec. 31,2020 IQD 1000
Cash with local banks	732,957	623,193
Cash with foreign banks: current accounts	73,801,154	49,515,235
Cash with foreign banks: L/C deposits	18,530,190	20,816,036
Total	93,064,301	70,954,464

6. Islamic Financing:

This caption comprises the following:

	As of Dec. 31,2021 IQD 1000	As of Dec. 31,2020 IQD 1000
a. Financing Assets:		
Short term Murabaha: Automobiles	22,594,921	22,089,240
Ijara Muntahia Biltamlik	10,175,671	
Credit cards	709,647	
Defaulted loans	14,372,886	48,390,589
Sub-total	47,853,125	70,479,829
Add: Accrued revenues	8,523	17,855,250
Minus: Revenues received in advance	(5,225,253)	(2,371,604)
Minus: Deposits received	0	0
Total before impairment	42,636,395	85,963,475
Net impairment of direct credit facilities (performing)	358,622	(129,483)
Net impairment of direct credit facilities (non-performing)	9,538,718	(51,504,321)
Total of impairment	(9,897,340)	(51,633,804)
Net direct credit facilities	32,739,055	34,329,671

b. Statement of financial position		
(1) Provision for impairment (performing credit facilities)		
Balance at the beginning of period	129,483	1,708,555
Additions/ deductions during the period	229,139	(1,579,072)
Balance at the end of period	358,622	129,483
(2) Provision for impairment (non- performing credit facilities)		
Balance at the beginning of period	51,504,321	24,574,541
Additions/ deductions during the period	(41,965,603)	26,929,780
Balance at the end of period	9,538,718	51,504,321
Total	9,897,340	51,633,804

7. Qardh Hasan (No interest loans):

This caption comprises the following:

	As of Dec. 31,2021 IQD 1000	As of Dec. 31,2020 IQD 1000
Qardh Hasan	68,700	14,800
Total	68,700	14,800

8. Investments:

This caption comprises the investment in Erbil Stock Exchange Market Company, as follows:

	As of Dec. 31, 2021 IQD 1000	As of Dec. 31, 2020 IQD 1000
Investments held to maturity date:	1,500,000	1,000,000
Real estate investments	20,986,961	36,865,131
Investments in subsidiaries	614,674,505	
Mudharaba	16,632,800	21,596,800
Total	653,844,266	59,461,931
Minus: Allowance for impairment	(30,983,725)	(250,000)
Net	622,860,541	59,211,931

9. Assets held as a result of debt settlement:

This caption comprises the following:

	As of Dec. 31, 2021 IQD 1000	As of Dec. 31, 2020 IQD 1000
Buildings held as a result of debt settlement as at 1/1	1,042,207	272,711
Additions during the year	66,500	769,496
Deductions	(60,879)	
Total	1,047,828	1,042,207
Accumulated depreciation 1/1	72,574	
Minus: depreciation for the year	304,692	72,574
Minus: adjustments	(40,238)	
Accumulated depreciation	(337,028)	(72,574)
Net	710,800	969,633

10. Other Assets:

This caption comprises the following:

	As of Dec. 31, 2021 IQD 1000	As of Dec. 31, 2020 IQD 1000
Cash discrepancies (evaluation of foreign currencies)	0	113,525,678
Cash advances	152,177	154,641
Misc. receivables	10,752,839	11,235,677
Mutual debit accounts	0	297,149
Deposits with others	81,700	61,700
Legal charges	132,411	148,049
Inter-branch accounts	0	55,562
Pre-paid expenses	203,359	598,445
ATM shortage	0	1,955
Outstanding custom penalties	8,478,572	4,579,967
Pending transfers	0	3,162
ATM withdrawals	567,752	0
Total	20,368,810	130,661,985

11.Intangible assets:

This caption comprises deferred revenue charges:

	As of Dec. 31, 2021 IQD 1000	As of Dec. 31, 2020 IQD 1000
Cost as at the beginning of the year	810,332	242,227
Additions during the year	5,662,838	518,196
Amortization for the year	(967,894)	(558,211)
Adjustments	(169,612)	0
Balance as at the end of the year	5,335,664	6,865,549
Minus: transferred to Bldg. a/c	0	(5,776,368)
Minus; transferred to Furniture a/c	0	(278,849)
Net	5,335,664	810,332

12.Property, Plant and Equipment:

The following table shows the breakdown of the tangible fixed assets and its depreciation:

As at December 31,2021

	Buildings IQD 1000	Equipment IQD 1000	Vehicles IQD 1000	Tools IQD 1000	Furniture & Fixture IQD 1000	Total IQD 1000
Historical cost						
Balance at 1/1/2021	9,832,286	1,440,329	306,262	1,166	9,509,581	21,089,624
Additions		560,495	32,841		1,118,991	1,712,327
Disposals		(230,153)	(15,622)		(7,115,151)	(7,360,926)
Balance at 31/12/2021	9,832,286	1,770,671	323,481	1,166	3,513,421	15,441,025
Accumulated depreciation						
Balance at 1/1/2021	4,982,459	1,038,942	271,805	1,166	6,701,127	12,995,499
Depreciation for the year	231,636	157,412	11,654		246,592	647,294
- Depreciation of disposed assets		(4,630)			(4,338,632)	(4,343,262)
Adjustments	217,119	60,417			6,131	283,667
- Balance at 31/12/2021	5,431,214	1,252,141	283,459	1,166	2,615,218	9,583,198
Book value at 31/12/2021	4,401,072	518,530	40,022	0	898,203	5,857,827

As at December 31,2020

	Buildings IQD 1000	Equipment IQD 1000	Vehicles IQD 1000	Tools IQD 1000	Furniture & Fixture IQD 1000	Total IQD 1000
Historical cost						
Balance at 1/1/2020		1,461,266	306,262	1,166	8,724,691	10,493,385
Additions	9,832,286	0	0	0	784,890	10,617,176
Disposals		937) (20				937) (20
Balance at 31/12/2020	9,832,286	1,440,329	306,262	1,166	9,509,581	21,089,624
Accumulated depreciation						
Balance at 1/1/2020		824,709	278,115	675	6,507,519	7,611,018
Depreciation for the year	926,541	188,338	11,654		271,417	1,397,950
- Depreciation of disposed assets	4,055,918					4,055,918
- Adjustments		(5,210)				(5,210)
- Balance at 31/12/2020		31,105	(17,964)	491	(77,809)	(64,177)
Book value at 31/12/2020	4,982,459	1,038,942	271,805	1,166	6,701,127	12,995,499

13. Projects in Progress:

This caption comprises the following:

	As of Dec. 31, 2021 IQD 1000	As of Dec. 31, 2020 IQD 1000
Balance at the beginning of the year	11,487,154	7,537,004
Additions	0	3,950,150
Less: transfers to fixed assets	(2,446,594)	0
Balance at the end of the year	9,040,560	11,487,154

14. Customers' Deposits:

The following table shows the breakdown of the customer's deposits:

	As of Dec. 31, 2021 IQD 1000	As of Dec. 31, 2020 IQD 1000
Current accounts/ companies	213,338,729	162,197,406
Current accounts/ individuals	104,064,701	74,873,421
Dormant accounts	119,541	119,689
Saving accounts	154,326,750	141,421,205
Banking cards	3,587,610	1,992,108
Total	475,437,331	380,603,829

15. Deposits on Banking Operations:

This caption comprises the following:

	As of Dec. 31, 2021 IQD 1000	As of Dec. 31, 2020 IQD 1000
Deposits against documentary credits	23,205,659	20,639,023
Deposits against letter of guarantees	8,139,287	15,159,522
Deposits on companies' applications	0	605,790
Cheques drawn on the Bank	0	5,104
Safe deposits	1,529	1,529
Drafts drawn on the Bank	866,677	4,057,306
Certified cheques	920,697	1,715,784
Deposits on currency auction	2,280,485	126,783
Outward foreign transfers	185,458	67,934
Inward transfers	60,936	
Total	35,660,728	42,378,775

16. Other liabilities:

This caption comprises the following:

	As of Dec. 31, 2021 IQD 1000	As of Dec. 31, 2020 IQD 1000
Closed accounts	5,235	5,235
Accounts payable	8,975	528,625

Other credit accounts	19,775	1,634
Accrued salaries	0	11,904
Accrued expenses	286,675	344,175
Retentions for others	16,272	12,752
Stamp duty	0	719,509
Charity account	7,807	6,248
Investment acquisition creditors	452,272,136	
Settlement accounts	7,081	
Misc. liabilities	266,610	203,820
Total	452,890,566	1,833,902

17. Funds received from CBI:

This caption comprises the following:

	As of Dec. 31, 2021 IQD 1000	As of Dec. 31, 2020 IQD 1000
Finance received from CBI/ SME initiative	150,000	500,000
Total	150,000	500,000

18. Provisions:

This caption comprises the following:

	As of Dec. 31, 2021 IQD 1000	As of Dec. 31, 2020 IQD 1000
Income tax allowance	1,206,295	590,994
Foreign exchange fluctuation allowance	2,887,085	2,887,089
Allowance for deposits profits	1,000,000	2,000,000
Allowance for contractual credit	848,827	848,827
Total	5,942,207	6,326,910

19. Islamic Financing Income:

This caption comprises the following:

	For the year ended Dec. 31,2021 IQD 1000	For the year ended Dec. 31,2020 IQD 1000
Income on Islamic facilities: Murabaha	815,482	1,678,162
Total	815,482	1,678,162

20. Fees and Commissions Income:

This caption comprises the following:

	For the year ended Dec. 31,2021 IQD 1000	For the year ended Dec. 31,2020 IQD 1000
Commissions on banking transfers	7,284,168	5,267,854
Commissions on documentary credit	3,456,952	3,357,213
Commissions on letter of guaranties	762,107	1,146,677
Other banking commissions	1,265,232	1,018,114
Commissions on approval of cheques	99,109	32,099
Rent of safe deposit	8,175	3,256
Total	12,875,743	10,825,213
Minus: banking commissions paid	(381,013)	(534,787)
Net	12,494,730	10,290,426

21. Investment Income:

This caption comprises the following:

	For the year ended Dec. 31,2021 IQD 1000	For the year ended Dec. 31,2020 IQD 1000
Saving profits from other banks	3,506,262	1,434,346
Total	3,506,262	1,434,346

22. Income on foreign exchange trading:

This caption comprises the following:

	For the year ended Dec. 31,2021 IQD 1000	For the year ended Dec. 31,2020 IQD 1000
Income on foreign exchange trading	4,697,394	7,717,893
Minus: allowance for FE changes	(225,409)	(33,863)
Net	4,471,985	7,684,030

23. Miscellaneous Banking Revenues:

This caption comprises the following:

	For the year ended Dec. 31,2021 IQD 1000	For the year ended Dec. 31,2020 IQD 1000
Reimbursement of charges	2,434,144	2,115,609
Sale of banking forms	641,580	0
Non-operational revenues	1,147	7,359
Misc. revenues	0	467,269
Previous year revenues	743,374	21,742
Capital gains	1,750	1,483,345
Total	3,821,995	4,095,324

24. Salaries and Related Charges:

This caption comprises the following:

	For the year ended Dec. 31,2021 IQD 1000	For the year ended Dec. 31,2020 IQD 1000
Salaries	1,415,728	879,438
Social allowances	204,142	233,901
Over time wages	4,800	3,200
Professional allowances	190,300	180,396

Risk allowances	190,178	179,948
Other allowances	1,654,658	1,351,103
Bonuses	201,089	474,787
Social security contributions	142,595	151,412
Sub total	4,003,490	3,454,185
Add: other employees' charges		
Transportation costs	270,203	467,527
Services	255,070	407,014
Training	60,241	13,214
Total	4,589,004	4,341,940

25. Administrative & General Expenses:

This caption comprises the following:

	For the year ended Dec. 31,2021 IQD 1000	For the year ended Dec. 31,2020 IQD 1000
Fuel, oil & lubricants	68,555	52,574
Office supplies	43,225	31,682
Stationary	44,616	31,398
Printing & Publication	121,256	40,322
Water & electricity	98,416	70,334
Maintenance	477,920	321,811
Research & development	374,795	250,999
Rent of buildings	709,050	790,896
Advertisement	45,157	15,473
Hospitality	52,358	56,355
Money transportation	102,228	109,939
Transportation, travel & communication	449,377	246,875
Subscriptions & conferences	1,492,963	1,347,358
Remuneration for non-employees	1,352,424	919,701
Legal fees	114,963	125,344
Banking services	454,165	3,519
Audit fees	90,050	92,490
Other service expenses	669,507	467,367
Total	6,761,025	4,974,437

26. Taxes and Duties:

This caption comprises the following:

	For the year ended Dec. 31,2021 IQD 1000	For the year ended Dec. 31,2020 IQD 1000
Taxes and duties	62,637	2,560
Total	62,637	2,560

27. Other Expenses:

This caption comprises the following:

	For the year ended Dec. 31,2021 IQD 1000	For the year ended Dec. 31,2020 IQD 1000
Donations	1,257,362	451,145
Penalties & compensations	138,284	38,135
Internal interests	350	0
Previous year expenses	1,329,447	2,154,647
Non-operational expenses	146	0
Capital losses	10,350	15,727
Total	2,735,939	2,659,654

28. Off- Balance Sheet Operations:

The following table contains the off- balance sheet obligation for the Bank:

	For the year ended Dec. 31,2021 IQD 1000	For the year ended Dec. 31,2020 IQD 1000
Obligation on letter of guaranties	46,785,197	51,357,912
Less: retentions	(8,139,287)	(15,159,522)
Net	38,645,910	36,198,390
Obligation on export documentary credits	81,438,529	80,905,396
Obligation on import documentary credits	333,099,000	21,170,000

Total Obligation on documentary credits	414,537,529	102,075,396
Less: retentions	(23,205,659)	(20,639,023)
Net	391,331,870	81,436,373
Net obligations	429,977,780	117,634,763

29. The Fair Value of Financial Assets & Liabilities:

- a. There are no indicators of impairment of assets and liabilities less than their book values, except for credit facilities, which the Bank formed the allowance for their impairment see the paragraph 6 above). Thus, the book values correspond with fair values.
- b. the Bank also formed the non-cash credit impairment allowance (see the paragraph 18 above)
- c. the Bank also formed the investment impairment allowance (see the paragraph 8 above)
- d. Methods and assumptions used in evaluation of fair values: The fair values of the financial assets and liabilities are determined using the following evaluation levels:
Level one: quoted prices (unadjusted) in active markets for identical assets and liabilities.
Level two: inputs other than quoted prices that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level three: assets that are not based on market data.
- e. Financial instruments whose fair value approximates its book value: These are monetary financial assets and liabilities or those with maturity less than a year.
- f. Financial instruments with fixed interest rate: The fair value of the financial assets and liabilities measured at amortized cost is determined using a comparison between the discounted cash flows using market interest rate comparing to real market prices for comparable instruments.

30. Risk Management:

- a. **Exposures to credit risk after impairment provision and before guaranties and other risk mitigation factors:**

	As at dec.31, 2021 IQD 1000	As at dec.31, 2020 IQD 1000
On- balance sheet items:		
Balances with CBI	154,789,829	200,746,079
Balances with banks	93,064,301	70,954,464
Credit facilities	42,636,395	107,560,275
Investments	653,844,266	37,865,131
Other assets	20,368,810	131,631,618
Sub total	964,703,601	548,757,567
Off- balance sheet items		
Letter of guaranties	38,645,910	36,198,390
Documentary credits	391,331,870	81,436,373
Sub total	429,977,780	117,634,763
Total	1,394,681,381	666,392,330

b. Exposure to credit risk according to risk degrees:

	As at dec.31, 2021 IQD 1000	As at dec.31, 2020 IQD 1000
Performing debts:		
Good credit	28,550,527	6,474,130
Standardized credit	259,302	4,006,234
Non-performing debts:		
Semi standardized credit	427,133	1,017,857
Bad credit	2,598,442	47,671,465
Loss credit	15,349,715	48,390,589
Total	47,185,119	107,560,275
Less:		
Suspended profits		
Provision for impairment	(9,897,340)	(51,633,804)
Net	37,287,779	55,926,471

c. The fair value of guaranties:

The table below shows the fair value of guaranties against credit facilities:

	For the year ended Dec. 31,2021 IQD 1000	For the year ended Dec. 31,2020 IQD 1000
Fair value of guaranties: performing credit	19,833,603	15,875
Fair value of guaranties: non-performing credit	118,511,461	219,408
Net	138,345,064	235,283

d. Geographic concentration:

The table below shows the geographic concentration of credit risks:

As at Dec. 31, 2021:

	Baghdad IQD 1000	Erbil IQD 1000	Sulaymani yah IQD 1000	Basra IQD 1000	Mosul IQD 1000	Kirkuk IQD 1000	Najaf IQD 1000	Duhok IQ 1000	Outside Iraq IQD 1000	Total IQD 1000
Balances with CBI	152,882,233	1,824,031	61,519	11,830	10,215					154,789,828
Balances with banks	180,268	164,566	385,331					2,792	92,331,344	93,064,301
Direct credit facilities	140,270	33,563,569	1,811,290	45,138	951,542	233,319	165,107	5,726,160		42,636,395
Investments		653,844,266								653,844,266
Other assets		20,328,667	4,715			7,443	4,175	23,810		20,368,810
Total	153,202,771	709,725,099	2,262,855	56,968	961,757	240,762	169,282	5,752,762	92,331,344	964,703,600

As at Dec. 31, 2020:

	Baghdad IQD 1000	Erbil IQD 1000	Sulaymaniyah IQD 1000	Basra IQD 1000	Mosul IQD 1000	Outside Iraq IQD 1000	Total IQD 1000
Balances with CBI	195,812,400	1,881,715	29,618	3,012,131	10,215		200,746,079
Balances with banks	0	623,193	0	0	0	70,331,271	70,954,464
Direct credit facilities	3,947,000	101,644,460	860,481	172,560	935,774		107,560,275
Investments	750,000	37,115,131	0	0	0		37,865,131
Other assets	0	131,631,618	0	0	0		131,631,618
Total	200,509,400	272,896,117	890,099	3,184,691	945,989	70,331,271	548,757,567

e. Concentration by the economic sector:

As at Dec. 21, 2021:

	Financial IQD 1000	Industrial IQD 1000	Real Estate IQD 1000	Service IQD 100	Total IQD 1000
Balance with CBI	154,789,829				154,789,829
Balances with banks	93,064,301				93,064,301
Direct credit facilities				42,636,395	42,636,395
Investments	1,550,000		20,986,961	631,307,305	653,844,266
Other assets	20,368,810		0	0	20,368,810
Total	269,772,940	0	20,986,961	673,943,700	964,703,601

As at Dec. 21, 2020:

	Financial IQD 1000	industrial IQD 1000	Real-estate IQD 1000	Service IQD 100	Total IQD 1000
Balance with CBI	200,746,079				200,746,079
Balances with banks	70,954,464				70,954,464
Direct credit facilities	1,000,000		36,865,131		37,865,131
Investments	0		0	107,560,275	107,560,275

Other assets	130,661,985		969,633		131,631,618
Total	403,362,528	0	37,834,764	107,560,275	548,757,567

f. Foreign currency risks:

The currency risks represent the changes in financial instrument values caused by the change in the foreign currencies exchange rates. The Bank prepares the sensitivity analysis to monitor the currency risks:

Scenario one: Increase in exchange rate of 2%:

Currency	As at Dec. 31, 2021		As at Dec. 31, 2020	
	Foreign Exchange position	Impact on P&L	Foreign Exchange position	Impact on P&L
USD	129,480,044	2,538,824	152,255,489	3,045,109
EUR	0	0	0	
Total	129,480,044	2,538,824	152,255,489	3,045,109

Scenario two: Decrease in exchange rate of 2%:

Currency	As at Dec. 31, 2021		As at Dec. 31, 2020	
	Foreign Exchange position	Impact on P&L	Foreign Exchange position	Impact on P&L
USD	123,682,943	(2,538,824)	152,255,489	(3,045,109)
EUR	0	0	0	
Total	123,682,943	(2,538,824)	152,255,489	(3,045,109)

g. Equity price risk:

Equity risk is the result of changes in the prices of shares of the investee companies, which may cause losses to the Bank. The Bank performs sensitivity analysis to monitor the impact of changes in profit or loss. Details of the sensitivity analysis as of 31/12/2021 and 31/12/2020 are as follows:

Scenario one: Increase in prices of 7%:

Investee	As at Dec. 31, 2021		As at Dec. 31, 2020	
	Cut-off position	Impact on P&L	Cut-off position	Impact on P&L
Erbil Stock Exchange Market	250,000	17,500	250,000	17,500
Deposit Insurance Company	750,000	52,500	750,000	52,500
Takaful Company	550,000	38,500		
Total	1,550,000	108,500	1,000,000	70,000

Scenario two: Decrease in prices of 7%:

Investee	As at Dec. 31, 2021		As at Dec. 31, 2020	
	Cut-off position	Impact on P&L	Cut-off position	Impact on P&L
Erbil Stock Exchange Market	250,000	(17,500)	250,000	(17,500)
Deposit insurance company	750,000	(52,500)	750,000	(52,500)
Takaful Company	550,000	(38,500)		
Total	1,550,000	(108,500)	1,000,000	(70,000)

h. Capital adequacy

	As at Dec. 31, 2021 IQD 1000	As at Dec. 31, 2020 IQD 1000
Basic capital items:		
Paid-in capital	255,000,000	255,000,000
Reserves	20,208,416	19,524,848
Retained earnings	9,613,426	3,461,320
Supporting capital:		
provisions	46,823,272	58,210,714
Total	331,645,114	336,196,882
Less:		
Net intangible assets	(5,335,664)	(810,332)
Net	326,309,450	335,386,550
Assets risk weighted	102,299,893	272,036,346
Off-balance sheet accounts risk	116,912,284	48,251,664

weighted		
Total	219,212,177	320,288,010
Capital adequacy ratio	%133.19	%104,71

i. Assets & liabilities maturity analysis:

The following table shows the analysis of assets and liabilities according to the expected period for recovery or settlement:

As at Dec. 31, 2021:

	Up to one year	More than one year	Total
Assets:			
Cash and balances with CBI	464,856,416		154,789,829
Balances with other banks	93,064,301		93,064,301
Direct credit facilities	3,195,240	39,441,155	42,636,395
Qardh Hasan	68,700	0	68,700
Investments	0	653,844,266	653,844,266
Fixed assets	0	5,857,827	5,857,827
Other assets	20,154,699	214,111	20,368,810
Project in progress	0	9,040,560	9,040,560
Total assets	581,339,356	708,397,919	1,289,737,275
Liabilities:			
Customers' deposits	475,437,331		475,437,331
Banking operations deposits	35,660,728		35,660,728
Fund from CBI	150,000		150,000
Other liabilities	5,942,207		5,942,207
Provisions	452,890,566		452,890,566
Total liabilities	970,080,832	0	970,080,832
Net	(388,741,476)	708,397,919	319,656,443

As at Dec. 31, 2020:

	Up to one year	More than one year	Total
Assets:			
Cash and balances with CBI	393,095,489		393,095,489
Balances with other banks	70,954,464		70,954,464
Direct credit facilities	57,240,145	50,320,130	107,560,275

Qardh Hasan	14,800	0	14,800
Investments	0	37,865,131	37,865,131
Fixed assets	0	8,094,125	8,094,125
Other assets	130,661,985	810,332	131,472,317
Project in progress	0	11,487,154	11,487,154
Total assets	651,966,883	108,576,872	760,543,755
Liabilities:			
Customers' deposits	380,603,829		380,603,829
Banking operations deposits	42,378,775		42,378,775
Fund from CBI	500,000		500,000
Other liabilities	58,210,714		58,210,714
Provisions	1,833,902		1,833,902
Total liabilities	483,527,220	0	483,527,220
Net	168,439,663	108,576,872	277,016,535

j. Operational Risks:

The Bank uses the basic indicator method to measure the capital required to cover the operational risks, in a ratio of 15% of the average profits for three years ago, as shown below:

	IQD 1000
Profit for 2019	503,790
Profit for 2020	3,924,962
Profit for 2021	8,041,969
Total for three years	12,559,625
Average for three years	4,186,542
Capital required to cover OR	627,981

To mitigate the operational risks, the Bank adopts many measures, among of them:

- Selecting and recruiting competent, skillful and integrated personnel.
- Backing up the financial and non-financial data.
- Setting the policies and procedures and securing their implementation.
- External and internal auditing of the financial statements.

- Auditing compliance to secure compliance with regulatory requirements and CBI instructions.
- Setting and implementing rigid procedures for anti-money laundering and combating terrorism.
- Applying risk management procedures and securing the commitment with capital adequacy ratio.
- Securing procedures for safety and fire extinguishment.
- Continuous monitoring and performance appraisal.
- Determining authorities and responsibilities.
- Managing business continuity.
- Adopting the system of succession of functions.
- Continuous learning and training.
- Adopting effective documentation procedures.
- Securing the sufficient protection of the Bank's buildings and assets.
- Insuring the Bank's assets and employees.



ANNUAL REPORT 2021

**CIHAN BANK FOR ISLAMIC INVESTMENT AND
FINANCE: PRIVATE SHAREHOLDING COMPANY**

ABOUT US

CIHAN Bank for Islamic Investment and Finance is an Iraqi private shareholding company exercising banking, investment and specialized activities, under supervision and control of the Central Bank of Iraq. All its activities are subject to the provisions of the Banks Law No. 94 for 2004, Islamic Banking Law No. 43 for 2015, the Companies Law No. 21 for 1997, as amended, the Anti-Money Laundering Law No. 93 for 2004, and the regulations, principles, instructions and orders issued by the Central Bank of Iraq. The Bank, in all its business and operations, complies with the provisions and principles of the Islamic Sharia.

Date of Incorporation: 03/02/2008

Date Listed in the Iraqi Stock Exchange: 09/01/2017

Address: Golan Street – Erbil

PO Box: 0116-17

Email: info@cihanbank.com.iq

Website: cihanbank.com.iq

SWIFT: CIHBIQBAXXX

Telephones: 00964 751 474 4102

(Corporate) 00964 750 758 7833

OUR BRANCHS

Head Office & Main Branch- Erbil

- 00964 751 474 4102-
-) 00964 750 758 7833 Corporate (
- customer.service@cihanbank.com.iq
- mainbranch@cihanbank.com.iq
- info@cihanbank.com.iq
- P.O.Box 0116-17
- SWIFT: CIHBIQBAXXX
- Erbil, Golan Street, Kani Sq.

Baghdad Branch

- 00964 771 522 6152
- br.baghdad@cihanbank.com.iq
- Baghdad, Karrada, Nidhal Street.

Najaf Branch

- 00964 750 278 7905
- 00964 780 847 2228
- br.najaf@cihanbank.com.iq
- Najaf, Sahha Sq., Hakim Hospital Street.

Mosul Branch

- 00964 772 253 7935
- br.mosul@cihanbank.com.iq
- Mosul, Zohoor Street, Darkazalia Region, Near Prophet Yonus

Kirkuk Branch

- 00964 750 138 1678
- 00964 772 147 3131
- br.kerkuk@cihanbank.com.iq
- Kirkuk, Madina Street, Khassa 1

Bajger Branch

- 00964 751 235 7568
- 00964 750 745 0095
- br.bajger@cihanbank.com.iq
- P.O.Box 0116-17
- Erbil, Kirkuk Street.

Sulaymaniyah Branch

- 00964 770 815 6800
- br.suly@cihanbank.com.iq
- Sulaymaniyah, Chwarbakh Sq., Kasoo Medical Complex, Next Old Sulaymaniyah Hospital.

Duhok Branch

- 00964 750 215 9119
- 00964 750 704 9109
- br.duhok@cihanbank.com.iq
- Duhok, Zakho Street, Next Mazi Market.

Zakho Branch

- 00964 751 440 6372
- br.zakho@cihanbank.com.iq
- Zakho, Ibrahim Al Khalil Street, Pedar sq.

Basra Branch

- 00964 750 990 0390
- 00964 773 215 5255
- br.basra@cihanbank.com.iq
- Basra, Jazaer Street, Jazaer Sq.

Kalar Branch

- 00964 770 049 1547
- br.kalar@cihanbank.com.iq
- P.O. Box 46021
- Kalar, Hama Rash Street, Bankard 93 Sq.

BOARD OF DIRECTORS

Serial number	Name	Position
1	Azad Y. S. Bajger	Chairman
2	Saman Burhan Siddiq	Vice-chairman
3	Ahmad A.K. Ismael	Director/ CEO
4	Salih M. Mahmood	Director
5	Taban A. K. Gharib	Director
6	Ali Jamal Amin	Director
7	Mariwan Tahsin Ahmad	Director
8	Nawzad Y. S. Bajger	Reserve Director
9	Lara Burhan Sabir	Reserve Director
10	Khalid Wali Salih	Reserve Director
11	Bzar Shakir Muhammed	Reserve Director
12	Muzda Bakir Ismael	Reserve Director
13	Mahmood Latif Saleem	Reserve Director

EXECUTIVE MANAGEMENT

Serial number	Name	Position
1	Ahmad A.K. Ismael	CEO
2	Naz Nawzad Yahya	Deputy CEO
3	Ahmad Khalaf Shihab	Deputy CEO
4	Saadi Farman Noori	Regional Manager
5	Husham Isa Alwan	Compliance Officer
6	Mahmood Sabah Yehia	Investment Manager
7	Dina Hameed Nasir	Administration Manager
8	Zeyad Khalid Abdullah	Branches Manager
9	Saad Barsoom Abdulahad	FCO
10	Yousif Ismael Ahmad	Risk Manager
11	Ahmad Muhammad Mahmood	AMLRO
12	Saya Omar Haji	Main Branch Manager
13	Alia Hamid Ali	Credit Manager

CIHAN BANK ORGANIZAION CHART

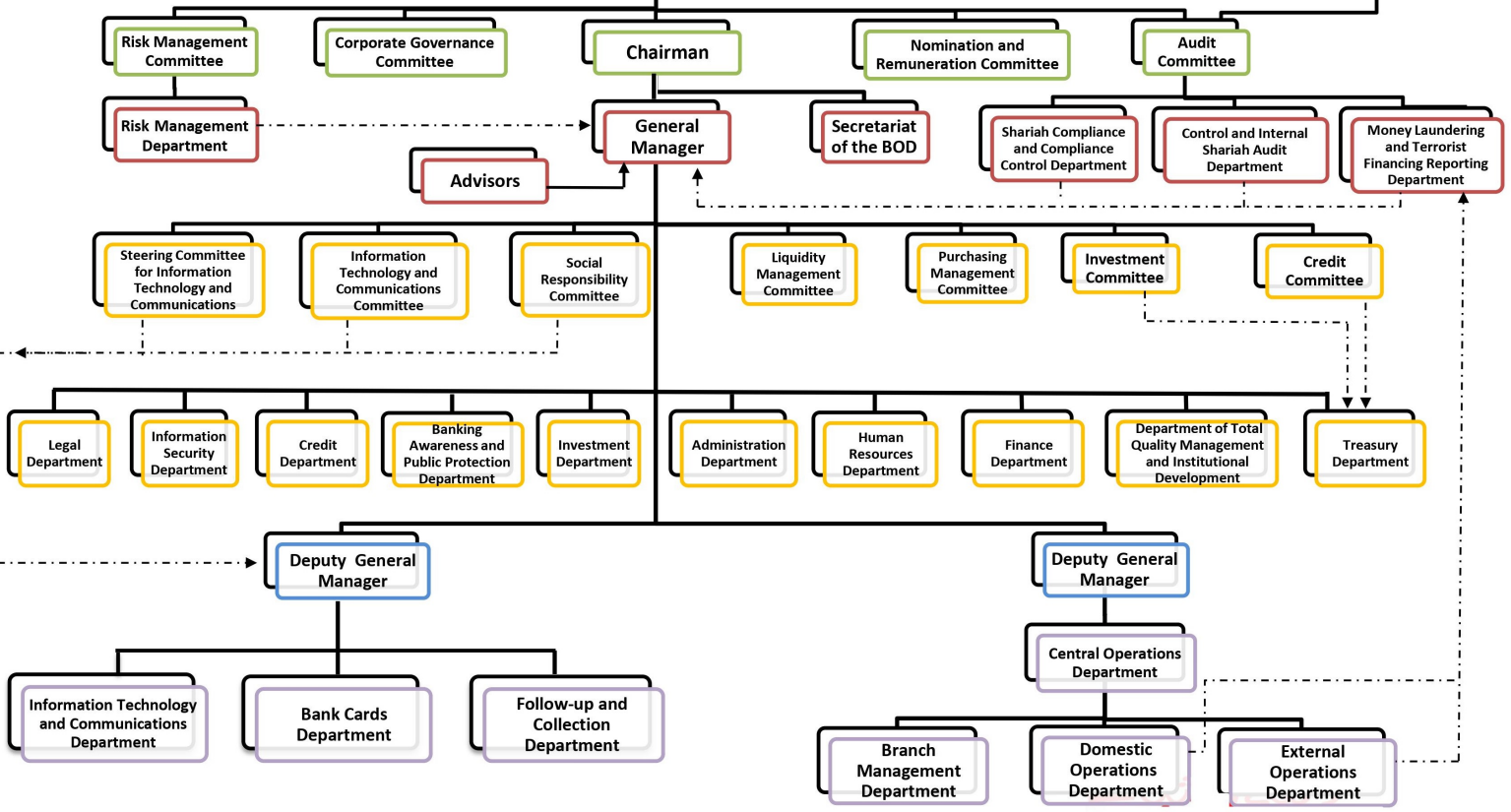


Organizational Chart Cihan Bank for Islamic Investment and Finance

ISO 9001:2015 WI-112

Board of Directors

Shariah Supervisory Board



CHAIRMAN SPEECH

Dear Ladies and Gentlemen, Shareholders

Al Salamualaikum

It is my pleasure to welcome you on behalf of my colleagues, the members of the Board of Directors of CIHAN Bank for Islamic Investment and Finance, in the General Assembly of the Bank in its 2022 ordinary session, and to review with you the 2021 BOD report.

I am pleased to present to you the achievements that the Bank reached during the year 2021: The total revenues of the Bank for the current year amounted to more than IQD (25) billion, which is the same of the previous year. The final result of the Bank's business for the current year was to achieve a profit before tax and before distributions to depositors in the amount of IQD (9,041,969,000), which represents 36% of revenues, and the net profit for the current year has increased from the previous year by 52,6%. At the same time, administrative and general expenses decreased by IQD 3,188,841,000, or 16.6%, and these are good indicators of the efficient performance of the Bank's management. The current accounts and deposits with the Bank increased by IQD (94,833,502,000) over the previous year, at a percentage of 25 %, which indicates the improvement of the Bank's performance in this field. The Bank's cash liquidity increased by IQD (93,870,764,000) from the previous year, at a percentage of 20 %, which indicates the improvement in the level of liquidity and its ability to meet its obligations.

On the other hand, the Bank achieved another target by obtaining the compliance certificate PCI, and the Bank continued to make great efforts in developing policies and procedures and training and developing its human resources. The Bank gained B- degree in the credit rating by Capital Intelligence.

Ladies and Gentlemen

Your Bank, CIHAN Bank for Islamic Investment and Finance, will continue its efforts for improvement and development in various fields, guided by the international standards that govern the banking industry and by the best global practices. The Bank is still recording success after success.

I conclude, on behalf of the Board of Directors and the Executive Management Team, I would like to thank all our valued shareholders, customers and employees for their support and

commitment to this pioneering Bank. I wish you all and CIHAN BANK to continue to excellence and success.

With best regards.



Azad Y. S. Bajger

Chairman

BOD REPORT

1. INTRODUCTION:

CIHAN Bank for Islamic Investment and Finance has been incorporated on 03/02/2008, with a capital of IQD 25 billion, as a private joint stock company according to the provisions of the Companies Law No. 21 for 1997, as amended, and the Banks Law No. 94 for 2004, to exercise comprehensive banking business. The Bank was listed in the Iraqi Stock Exchange Market on 09/01/2017. The Bank, in all its transactions and operations, complies with the Law of Islamic Banking No. 43 of 2015 and the principles and provisions of the Islamic Sharia. The Bank takes the advantages of the Law of Investment of Kurdistan Region No. 4 for 2006. As of 31/12/2020, the Bank's capital was around IQD (255 billion. The Bank now has 11 branches.

2. BOARD OF DIRECTORS:

Cihan Bank's board of directors consists of the chairman of the board and members who manage its affairs, supervise its business, and set the necessary plans and strategy for its conduct, and what is dictated to them by the laws in force (the Banking Law, the Islamic Banking Law, the Central Bank of Iraq Law, the Companies Law and the provisions of the Islamic Sharia) and the directives and instructions issued by the relevant financial and monetary authorities.

The Directors continued to perform their duties with diligence and commitment. During the year 2020, the Board of Directors held eight meetings, in addition to the meetings of its committees.

➤ The most important duties and responsibilities adopted by BOD:

- Setting vision, mission, objectives and the strategic plans.
- Ensure the availability of plans, policies and procedures that include all activities of the bank and are in line with the relevant legislation.
- Take responsibility for the integrity of all the bank's business, including the bank's financial conditions.
- Implementing the requirements of the central bank, supervisory authorities and owners related to the bank's work.
- Taking into account the stakeholders within the framework of legislation and internal policies, and ensuring that effective oversight over the bank's business is continuously available.
- Ensure compliance with international standards in all activities and operations of the bank, and adopt a clear policy to ensure the bank's compliance with all relevant regulatory frameworks and instructions.

- Adopting the risk management strategy and monitoring its implementation that includes the level of acceptable risks, ensuring that the bank is not exposed to high risks, and ensuring the continuous alignment between the liquidity risk management strategy and the financing strategy.
- Protecting the rights and interests of shareholders.
- Forming board committees and selecting their members from board members or others.
- Follow up the implementation of directives and instructions issued by the Central Bank of Iraq.
- Follow up the implementation of the resolutions of the General Assembly.
- The board is primarily responsible for the effectiveness of policies, procedures, regulations and controls for combating money laundering and terrorist financing. .
- Ensure that the bank applies the principles of corporate governance contained in Instructions No. for the year 2010.
- Monitor the bank's management and the extent of its compliance with the regulations and instructions issued by the Central Bank of Iraq and the internal policies of the bank.
- Adopting the methodology for the internal capital adequacy assessment of the bank in line with the standards issued by international organizations and the Basel Committee.
- Spreading the culture of corporate governance in the bank, and encouraging all employees and the management of the bank to practice it.
- Discussing and approving the annual plans and budgets related to the bank's activities, and following up on their implementation.
- Supervising the quality of disclosure and transparency of information about the bank's business.

Limits of responsibility and accountability of BOD:

The BOD is responsible for the integrity of all the Bank's operations, including its financial positions, and the responsibility to comply with all laws, instructions and controls issued by the Central Bank of Iraq, the standards issued by international organizations, the decisions of the Basel Committee on Banking Supervision, as well as the requirements of other supervisory and regulatory authorities related to its work and taking into account the stakeholders' interests. and corporate governance practices. Ensuring that the bank is committed to the latest international financial reporting standards, that the Bank is managed within the framework of the Bank's internal bylaws and policies, and that effective oversight is constantly available on the Bank's activities, including the outsourced activities.

Hereunder is the list of the original and reserve members of Board of Directors and the number of capital shares for each of them:

Ser.	Name	Position	No. of shares	Ownership percentage
1	Azad Y. S. Bajger	Chairman	24,990,000,000	%9.8

2	Saman Burhan Siddiq	Vice-chairman	420,000	%0.00016
3	Ahmad A. K. Ismael	Director	6,860,000	%0.00269
4	Ali Jamal Amin	Director	420,000	%0.00016
5	Mariwan T. Ahmad	Director	2,000,000	%0.00078
6	Salih M. Mahmood	Director	20,000	%0.0000078
7	Taban A. K. Ghareeb	Director	420,000	%0.00016
8	Nawzad Y. S. Bajger	Reserve Director	24,990,000,000	%9.8
9	Lara Burhan Sabir	Reserve Director	1,000,000	%0.00039
10	Khalid Wali Salih	Reserve Director	2,000,000	%0.00078
11	Mazda Bakir Ismael	Reserve Director	420,000	%0.00016
12	Mahmood L. Salem	Reserve Director	420,000	%0.00016
13	Bzar Shakir Muhammed	Reserve Director	1,000,000	%0.00039

No BOD directors have obtained any credit facilities from the Bank during the year.

CVs of board members:

No.	1
Azad Y. S. Bajger	Chairman
No. of shares in the capital of the Bank	24,990,000,000
Date of admission in the board	Approved by the letter of CBI No. 30219 on 31/12/2018.
Qualification & Expertise	<ul style="list-style-type: none"> - Honorary Consul General of Japan in the Kurdistan Region for the period 2008-2016. - Vice-President of the

	<p>Federation of Iraqi Chambers of Commerce for the period 1989-2006.</p> <ul style="list-style-type: none"> - Chairman of the Board of Directors of the Erbil Chamber of Commerce and Industry 1989-2006. - President of the Federation of Industries, Erbil branch for the period 1995-2006. - Chairman of CIHAN Group for International Trade since 2002.
Membership in the Board committees	Chairperson of the corporate governance committee and nomination and remuneration committee.
The extent of commitment to attend Board meetings	Committed.
Membership in the BODs of other companies	Nothing
Remuneration received from the Bank.	Nothing
Loans received from the Bank.	Nothing

No.	2
Saman Burhan Siddiq	Vice Chairman
No. of shares in the capital of the Bank	420,000
Date of admission in the board	Approved by the letter of CBI No. 3272 on 18/2/2020.
Qualification	BA. Law. BSc. Accounting.
Expertise	Legal advisor.
Membership in the Board committees	Member of the audit committee and member of risk management

	committee.
The extent of commitment to attend Board meetings	Committed.
Membership in the BODs of other companies	Nothing
Remuneration received from the Bank.	Nothing
Loans received from the Bank.	Nothing

No.	3
Ahmed A. K. Ismael	Director & Managing Director
No. of shares in the capital of the Bank	6,860,000
Date of admission in the board	Approved by the letter of CBI No. 4477 on 25/3/2017.
Qualification	BSc. statistics.
Expertise	Finance & accounting.
Membership in the Board committees	Member of corporate governance committee.
The extent of commitment to attend Board meetings	Committed.
Membership in the BODs of other companies	Nothing
Remuneration received from the Bank.	Nothing
Loans received from the Bank.	Nothing

No.	4
Salih M. Mahmood	Director
No. of shares in the capital of the Bank	20,000
Date of admission in the board	Approved by the letter of CBI No. 3272 on 18/2/2020.
Qualification	BA. Business administration.
Expertise	Finance & Banking.
Membership in the Board	Chairperson of risk committee.

committees	
The extent of commitment to attend Board meetings	Committed.
Membership in the BODs of other companies	Nothing
Remuneration received from the Bank.	Nothing
Loans received from the Bank.	Nothing

No.	5
Taban A. K. Ghareeb	Director
No. of shares in the capital of the Bank	420,000
Date of admission in the board	Approved by the letter of CBI No. 3272 on 18/2/2020.
Qualification	Master in computer engineering. BSc. In civil engineering.
Expertise	Banking & engineering.
Membership in the Board committees	Member of the corporate governance committee, nomination and remuneration committee and risk committee.
The extent of commitment to attend Board meetings	Committed.
Membership in the BODs of other companies	Nothing
Remuneration received from the Bank.	Nothing
Loans received from the Bank.	Nothing

No.	6
Ali Jamal Amin	Director
No. of shares in the capital of the Bank	420,000
Date of admission in the board	Approved by the letter of CBI No. 3272 on 18/2/2020.
Qualification	Diploma in computer science.

	BA. Business administration. BA. Law.
Expertise	Portfolio management. Investment in stock market.
Membership in the Board committees	Member of nomination and remuneration committee and audit committee.
The extent of commitment to attend Board meetings	Committed.
Membership in the BODs of other companies	Nothing
Remuneration received from the Bank.	Nothing
Loans received from the Bank.	Nothing

No.	7
Mariwan T. Ahmad	Director
No. of shares in the capital of the Bank	2,000,000
Date of admission in the board	Approved by the letter of CBI No. 3272 on 18/2/2020.
Qualification	BSc. Civil engineering. Ba. Islamic science.
Expertise	Engineering advisor.
Membership in the Board committees	Chairperson of audit committee.
The extent of commitment to attend Board meetings	Committed.
Membership in the BODs of other companies	Nothing
Remuneration received from the Bank.	Nothing
Loans received from the Bank.	Nothing

3. BOD COMMITTEES :

a. Corporate governance committee:

This committee monitors the implementation of the Corporate Governance Manual issued by the Central Bank of Iraq to ensure the availability of the elements of corporate governance, supervision and preparation of the governance report for inclusion in the annual report of the bank. As well as supervising the preparation and updating of the bank's corporate governance manual and monitoring its implementation.

The committee is formed as follows:

Full name	Position	The number of absences during 2020
Azad Y. S. Bajger	Chairperson	None
Ahmed A.K. Ismael	member	None
Taban A. K. Ghareeb	member	None

Number of meetings held during 2021: Twenty-one.

b. Audit committee:

The committee's tasks are to assist the board of directors to fulfill its supervisory responsibilities related to financial reports, to ensure that the bank adheres to the disclosures specified by the International Financial Reporting Standards and the instructions of the Central Bank of Iraq and relevant regulations, to ensure the adequacy of internal control systems, review the reports of the supervisory authorities, and to supervise the work of internal and Sharia auditing, and approval of the necessary plans for this, discussing internal audit reports and following up the implementation of the recommendations contained therein, ensuring the independence and objectivity of internal auditing, ensuring that the bank complies with instructions and laws, following up on the anti-money laundering and terrorist financing function, and ensuring that there is a function to combat money laundering and terrorist financing related to the Board, and it implements special operations policies and due diligence, and ensures compliance with international standards in all bank operations, and accounting issues that have a material impact on the bank's financial statements.

The committee is formed as follows:

Full name	Position	The number of absences during 2020
Mariwan T. Ahmad	Chairperson	None
Saman Burhan Siddiq	member	None
Ali Jamal Amin	member	None

Number of meetings held during 2021: Twenty-Four.

c. Risk management committee:

The committee's tasks are to assist the board of directors to fulfill its responsibilities in supervising risk management, identifying and analyzing all risks to which the bank is exposed, reviewing and evaluating these risks, submitting its recommendations to the board, dealing with those risks efficiently for the purpose of mitigating their effects on the bank, and ensuring consistency between the risk management strategy and strategy of the bank, and maintaining the growth of the bank within the approved risk management framework.

The committee is formed as follows:

Full name	Position	The number of absences during 2020
Salih M. Mahmood	Chairperson	None
Saman Burhan Siddiq	member	None
Taban A. K. Ghareeb	member	None

Number of meetings held during 2021: Twenty-eight.

d. Nomination & remuneration committee:

The tasks of this committee are to determine the persons qualified to join the board of directors, evaluate the effectiveness of the performance of the board and its members and its committees, in addition to nominating qualified persons to occupy executive management positions, and to ensure that there are clear policies for salaries, benefits, bonuses and incentives in the bank, and to verify that this policy is in line with good corporate governance principles and practices, and ensuring appropriate awareness and training for employees and senior management.

The committee is formed as follows:

Full name	Position	The number of absences during 2020
Azad Y. S. Bajger	Chairperson	None
Taban A. K. Ghareeb	member	None
Ali Jamal Amin	member	None

Number of meetings held during 2021: Six.

4. MAJOR SHAREHOLDERS:

Hereunder is the list of shareholders who own 1% percentage and more of bank capital as at 31/12/2020:

Ser.	Name	Occupation	No of shares	Ownership percentage
1	Azad Y. S. Bajger	Businessman	24,990,000,000	%9.8
2	Nawzad Y. S. Bajger	Businessman	24,990,000,000	%9.8
3	Talat Y. S. Bajger	Businessman	24,988,000,000	%9.8
4	Sabah Y. S. Bajger	Businessman	24,988,000,000	%9.8
5	Newroz S. D. Al Khayat	Businesswoman	19,884,850,000	%7.8
6	Suzan Sharif Muhammad	Businesswoman	17,268,000,000	%6.8
7	Nawal Jamal Abdulla	Businesswoman	14,094,500,000	%5.5
8	Mustafa T. Yahya	Businessman	13,400,000,000	%5.2
9	Shermin M. Abdelnaby	Businesswoman	13,330,000,000	%5.2
10	Talar T. Yahya	Businesswoman	9,200,000,000	%3.6
11	Meran Nawzad Yahya	Businessman	8,895,000,000	%3.4
12	Othman Sabah Yahya	Businessman	8,265,450,000	%3.2
13	Media Nawzad Yahya	Businesswoman	6,273,000,000	%2.4
14	Naz Nawzad Yahya	Businesswoman	6,273,000,000	%2.4
15	Muhammad Azad Yahya	Businessman	6,051,000,000	%2.3
16	Rebin Azad Yahya	Businessman	6,051,000,000	%2.3
17	Mahmood Sabah Yahya	Businessman	5,551,200,000	%2.1
18	Ibrahim Sabah Yahya	Businessman	3,001,000,000	%1.1
19	Hamza Azad Yahya	Businessman	3,001,000,000	%1.1

20	Belar Azad Yahya	Businessman	2,772,150,000	%1
21	Laylan Azad Yahya	Businessman	2,770,150,000	%1
22	Lana Azad Yahya	Businesswoman	2,742,200,000	%1

5. GLOBAL ECONOMIC DEVELOPMENTS:

In 2021, the Iraqi economy began to recover from the sharp contraction it witnessed last year, supported by rising oil revenues and easing measures to contain the Covid-19 virus. The last period of the year witnessed a significant decrease in the number of new infections with the Covid-19 virus, and there is a gradual improvement in the vaccination rate. According to International Monetary Fund estimates, real non-oil GDP is expected to grow by 12% in 2022, and oil production will gradually rise in line with the OPEC+ agreements. The inflation rate had reached 7.2% in September, with expectations that it will decline in the coming months. It is expected that the fiscal and current account balances will witness a significant improvement, mainly as a result of the increase in oil prices. The recovery is also expected to continue in the medium term, but it is subject to exposure to significant downside risks, particularly related to the volatility of the oil markets and the repercussions of the COVID-19 pandemic.

The rise in oil revenues represents an important opportunity to address the significant weaknesses in the Iraqi economy, enhance resilience to face climate and other challenges in the future, and move forward with the implementation of the most important social and economic priorities. Achieving these goals requires strengthening public funds while creating fiscal space (the spending space from public finances) for investment purposes and much-needed social safety nets, as well as working to promote private sector development. To this end, the main reform priorities include reforming the civil service system with the aim of raising the efficiency of the public sector, containing the wage bill, reducing subsidies that do not lead to energy rationalization, diversifying fiscal revenues, halting losses in the electricity sector, and strengthening good governance. Improving the coverage and targeting of social assistance would also provide better protection for the most vulnerable. Besides, restructuring the large state-owned banks and improving their governance will be critical to revitalizing the financial sector and ensuring private sector access to finance.

On the other hand, the outbreak of the Russian-Ukrainian crisis will certainly have negative effects on the global economy, but on the other hand it will lead to a rise in oil prices, the main resource for the Iraqi economy.

6. FINANCIAL RESULTS:

The Bank's net profit for the fiscal year 2021 amounted to IQD (6,835,674,000) (six billion eight hundred thirty-five million six hundred seventy-four thousand), which is more than the net profit achieved for the year 2020 of IQD (3,333,968,000) (three billion, three hundred thirty-three million, nine hundred sixty-eight thousand dinars) in percentage of 105%. The following are some other important indicators for evaluating the financial results achieved for the current year:

- a. The total revenue for the current year has decreased from the previous year by (0.29%).

- b. The ratio of net profit to total revenues was (32%).
- c. The net profit for the current year increased over the previous year by (105%).
- d. Current accounts and deposits increased for the current year over the previous year by (25%).
- f. Cash liquid assets increased by 20.23% over the previous year.

These indicators indicate the efficiency of managing the Bank's operations to achieve its objectives.

7. BANK EARNINGS & EXPENSES:

Hereunder is the list of revenues and expenses of branches of the Bank for 2020:

<u>Branch</u>	<u>Revenues</u> IQD 1000	<u>Expenses</u> IQD 1000	<u>Net Income</u> IQD 1000
Main Branch	8,219,834	1,860,765	6,359,069
Bajger	8535,35	275,476	2259,88
Baghdad	1,000,511	9936,70	263,80
Sulaymaniyah	3879,51	464,245	8415,26
Zakho	20499,3	2215,07	284,248
Mosul	10900,3	20270,0	630,290
Kirkuk	467,566	4337,28	130,282
Basra	824,581	1409,80	414,780
Najaf	397,55	203,569	-106,016
Duhok	702,287,5	524,902	81,762,66
Kalar	5196,82	190,348	76,47
Mosul Office	27,999	7,209	20,790
General Administration	69,779,93	13,185,801	-3,405,865
Total	625,716,87	118,881,20	6,835,673

8. RISK MANAGEMENT:

In line with the directives of the Central Bank of Iraq and guided by international standards, in particular by the Basel Accords, the Bank continued in 2021 with its efforts to implement risk management requirements, as follows:

- a. To continue to implement the risk management requirements and prepare related reports.

- b. Preparing risk management reports, monthly and quarterly, including stress tests reports and risk profile.
- c. The Bank adopts policies and procedures aimed at mitigating the overall risks through:
- ❖ Adopting a conservative credit policy, maintaining a reasonable ratio of total credit to total deposits, as well as sectoral and geographic diversification to reduce risks arising from the external environment, diversifying credit activities to avoid concentration and reduce related risks, and follow clear credit policies and procedures.
 - ❖ For operational risk, the overall risk management framework is based on identifying relevant events, identifying early warning indicators, and developing a strategy for the development and updating of IT systems to reduce the operational risks that may result from the failure of these systems. In addition, the Bank applies strict procedures to reduce the risk of money laundering and fraud risks. The Bank also identifies and describes responsibilities for all administrative levels, and enhances internal control by providing oversight roles to both the Internal Audit Department and the Risk Management Department.
 - ❖ With regard to market risk, the Bank focuses on developing the overall framework for risk analysis, interaction with early warning indicators, exposure monitoring and adherence to approved limits and ceilings.
 - ❖ With regard to liquidity risk, the Bank adopts strict procedures and policies to monitor and manage liquidity to ensure that the Bank is able to effectively finance its operations and meet its current and future obligations, including unforeseen withdrawals on deposits. The Treasury Department, in cooperation with the relevant departments, is responsible for managing the liquidity on a daily basis and adhering to the approved limits and ceilings.
 - ❖ The Bank is committed to capital adequacy ratio to meet various risk requirements.
 - ❖ Paragraph (31) in the notes statement attached with the financial statements includes analytical data on risk management.

9. COMPLIANCE & AML:

The Money Laundering and Terrorism Reporting Section in the Bank monitors all banking operations that take place in the Bank on a daily basis, in order to avoid the risks of suspicious and illegal operations, and to ensure the reputation of the Bank and the interests of its customers, and to stop any operations that may be related to money laundering and terrorist financing operations.

In this context, the core banking system has been developed and linked with the Capital Compliance system, which is a special automated system that helps combat

money laundering and terrorist financing operations in order to strengthen supervision over all transactions that are conducted by the Bank up to date. This is done by issuing alerts to everyone according to the scenarios approved by the Central Bank of Iraq and the Anti-Money Laundering and Terrorist Financing Office, and it is used centrally by the Money Laundering and Terrorist Financing Reporting Department.

For this purpose, the Bank also acquired the World Check platform from Refinitiv, which includes more than 500 global blacklists and also includes a list of PEPS - POLITICALLY EXPOSE PERSONS.

Simulate with that, all SWIFT messages pass before they are launched from the Safe Watch system, to ensure that the name of the sender and the beneficiary is not included in the global blacklists such as BOE, EU, UN and OFAC.

The department manager obtained a certified specialist in combating financial crimes CFCS, and a certified specialist in combating money laundering and terrorist financing CAMS.

This year, the Bank received PCI compliance certification from COMPLY WAVE Comprehensive Technical Solutions.

10. HUMAN RESOURCES:

According to the Bank's belief in the human resources as the most valuable asset, it was continuing the initiations to make a qualitative leap in the performance of such resources and realize the higher levels of job satisfaction and loyalty to the bank, inter alia:

a. Providing training opportunities, inside and outside the Bank, as shown below:

No. of Courses	No. of Training days	No. of participants
156	609	592

b. Attracting and employing the best-qualified persons and experts in different fields. The following list shows the classification of Bank employees according to academic and professional qualifications:

Qualification	No.	Percentage
Master	9	%3
Bachelor	192	%64
Diploma	38	%12.67
Secondary and less	61	%20.33

Total	300	%100
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- c. Hereunder is a comparison list of average number of employees and totals salaries, wages, allowances, and bonus paid during the three previous years:

Year	No. of Employees	Amount of salaries and allowances (IQD 1m)	Average of employee's monthly salary IQD
2019	274	3,664	1,114,355
2020	267	3,4545	1,078,027
2021	300	4,003	1,112,080

- d. Hereunder is the list of top ten employees who earned the highest salaries during the year 2020:

Ser.	Name of employee	Position
1	Ahmad A. K. Ismael	Managing Director
2	Mahmood S. Yehya	Executive Manager
3	Naz Nawzad Yahya	Deputy Managing Director
4	Saya Omar Haji	Main Branch Manager
5	Nawzad Muhsin Qarni	Operations Manager
6	Yousif Ismael Ahmad	Risk Manager
7	Gokhan Ahmad Mustafa	International Dept. Manager
8	Adnan Abdulrahman Haider	Kirkuk Branch Manager
9	Saadi Farman Noori	Regional Manager
10	Ali H. Abdulwahab	Executive Manager

11. CODE OF ETHICS:

Based on the Bank's keenness to control the performance of its employees within the framework of a set of ethical values and principles that govern professional behavior to control the movement and rhythm of banking performance, a professional code of conduct has been prepared and approved that includes basic job values in addition to ethical principles.

The code of ethics enjoys the support of the Board of Directors and the Executive Management, as one of the basic elements that helps spread the principles of governance and the principles of sound professional conduct. The code of ethics was drawn from the core values of the Bank.

The basic values of the principles of professional conduct focus on honesty, transparency, objectivity, impartiality, leadership, innovation, intimation and loyalty to the Bank. These ethical values are an integral part of the bank's unwavering commitment to preserving the Bank's image and customer's confidence.

12. INVESTMENT PORTFOLIO:

The Bank owns an investment portfolio consisting of the following:

	Investment Type	Amount IQD 1000	The Nature of Investment	Impairment allowance IQD 1000
1	Financial Securities	1,550,000	Stock of Erbil Stock Market & Deposit Insurance Company	250,000
2	Real-Estate	20,986,960	Invest in CIHAN City Properties	0
3	Subsidiaries	614,674,505	CIHAN University Company	30,983,725
4	Mudharaba	16,632,800	Various Mudharabas	0

13. INTERNATIONAL BANKING RELATIONS:

The bank acts to strengthen its foreign relations and the network of its correspondents to expand its business and services. The following is the statement of correspondents:

1.	FRANSABANK S.A.L	BEIRUT - LEBANON
2.	FIRST NATIONAL BANK S.A.L	BEIRUT - LEBANON
3.	BANK OF BEIRUT S.A.L	BEIRUT - LEBANON
4.	CREDIT LIBANAIS S.A.L	BEIRUT - LEBANON
5.	BYBLOS BANK S.A. L	BEIRUT - LEBANON
6.	BYBLOS BANK EUROPE	BEIRUT - LEBANON
7.	BANK OF BIERUT & ARAB COUNTRIES S.A. L	BEIRUT - LEBANON
8.	IBL BANK S.A. L	BEIRUT - LEBANON
9.	BANQUE LIBANO FRANCAISES S.A.L	BEIRUT - LEBANON

10.	KUVEYT TURK KATILIM BANKASI A.S	ISTANBUL - TURKEY
11.	TURKEY IS BANKASI A.S	ISTANBUL - TURKEY
12.	TURKEY HALK BANKASI A. S	ISTANBUL - TURKEY
13.	TURKEY VAKIF BANKASI TAO	ISTANBUL - TURKEY
14.	AL BARAKA TURK KATILIM BANKASI A.S	ISTANBUL - TURKEY
15.	AKTIF YATIRIM BANKASI A.S	ISTANBUL - TURKEY
16.	T.C ZIRAAT BANKASI A.S	ISTANBUL - TURKEY
17.	ZIRAAT KATILIM BANKASI A.S	ISTANBUL - TURKEY
18.	AK BANK TAS	ISTANBUL - TURKEY
19.	TURKEY FINANS BANK	ISTANBUL - TURKEY
20.	Yapi Kredi Bank	ISTANBUL - TURKEY
21.	BURGAN BANK	ISTANBUL - TURKEY
22.	FIBABANKA	ISTANBUL - TURKEY
23.	PASHA BANK	ISTANBUL - TURKEY
24.	NUROL BANK	ISTANBUL - TURKEY
25.	ASYA KATILIM	ISTANBUL - TURKEY
26.	HOUSING BANK OF TRADE & FINANCE	AMMAN - JORDAN
27.	BANK AL ETIHAD	AMMAN - JORDAN
28.	JORDAN AHLI BANK	AMMAN - JORDAN
29.	UNION DE BANQUES ARABES ET FRANCAISES	PARIS - FRANCE
30.	FRANSABANK SA	PARIS – FRANCE
31.	UBAF	TOKYO - JAPAN
32.	EMIRATES NBD BANK	ABU DHABI -U.A. E
33.	ABU DHABI ISLAMIC BANK	ABU DHABI -U.A. E
34.	BANQHE MISR	DUBAI -U.A. E
35.	KUVEYT TURK- DUBAI	DUBAI -U.A. E
36.	ARAB AFRICAN INT. BANK	DUBAI -U.A. E
37.	AL BARAKA ISLAMIC BANK BSC	MANAMA - BAHRAIN
38.	ITHMAR BANK	MANAMA - BAHRAIN
39.	ISBANK BAHRAIN	MANAMA - BAHRAIN
40.	NIB BANK LIMITED	PAKISTAN
41.	HABIB BANK LIMITED	PAKISTAN
42.	Unicredit Tiriac Bank	ROMANIA
43.	Commercial Bank of Ceylon PLC	SRI LANKA
44.	PJSC (Bank Credit Dnepr)	UKRANE

14. DEPOSITS, SAVING AND CURRENT ACCOUNTS:

The following table shows the balances of these accounts at the end of the current year as compared with the end of the previous year and the percentage of change:

Account	2021 IQD 1m	2020 IQD 1m	Change percentage
Current accounts / Companies	213,338,729	162,197,406	31,53%
Current accounts / individuals	104,064,701	74,873,421	39%
Current accounts/ Banking Cards	3,587,610	1,992,108	80%
Saving accounts	154,326,750	141,421,205	9,13%
Total	475,317,790	380,484,140	24,92%

15. LETTER OF CREDITS & GUARANTEES ISSUED AND TRANSFERS:

a. The number of documentary credits issued are (46) credits, according to each currency, as follows:

Currency	Number	Amount IQD
USD	45	182,762,335,720
JPY	1	6,637,821,602

b. The number of inland letter of guaranties issued are (268) letter, as follows:

Currency	Number	Amount IQD
USD	65	4,287,353,130
IQD	203	8,550,754,580

c. The number of outland letter of guaranties received are (5) letter, as follows:

Currency	Number	Amount IQD
USD	5	2,671,417,480

d. The number of outward transfers issued are (1651), according to each currency, as follows:

Currency	Number	Amount IQD billion
USD	1651	2244

e. The number of inward transfers received are (7250), according to each currency, as follows:

Currency	Number	Amount IQD billion
USD	7250	656

16. IT DEVELOPMENTS:

The management of the Bank has taken care to use all modern methods, systems and techniques in banking operations, which reflects on the accuracy of work and the speed of completion. The Bank put in use iMAL system as a core banking system, started to use IBAN, SMS service, mobile banking and internet banking. The Bank activates the MasterCard service through establishing a center inside the Bank for issuing and managing the cards directly, in addition to applying the international standards for the infrastructure of data center and SWIFT, including information security. The Bank still working in this context by introducing modern techniques used by international banks.

The bank is in continuous development of devices and equipment related to the infrastructure of operating systems and applications while using the principle of virtualization to ensure availability, continuity and simulation in the work of the systems and providing an alternative location for disaster recovery. The bank is also paying high attention to provide high level of security for the end users data in accordance with best international standards.

17. CREDIT FACILITIES & CREDIT PORTFOLIO:

- a. The Bank contributed to the implementation of the initiative of the Cabinet of Ministers to provide soft financing to small and medium enterprises. The credit amount is more than IQD 2 billion.
- b. The size of the Bank's cash credit portfolio amounted to IQD (42,636,395,000).
- c. The amount of written off debts are IQD (41,867,630,000).
- d. The number of clients granted to Murabahas amounted to 657 clients for the year 2021, compared to 38 for the year 2020.
- e. A new product has been added to the credit portfolio related to Ijarah Muntahia Bittamleek and 29 transactions have been financed with a total amount of IQD 7,474,370,400.
- f. The bank continued to provide Qard Hasan to its employees, as its balance at the end of the current year reached IQD (68,700,000).
- g. ATM machines are deployed within a distribution plan for the purpose of serving the largest number of customers to contribute to access to customers' accounts 24 hours a day, 7 days a week.
- h. Provide 24/7 customer service to answer all inquiries or report card theft and loss where we are notified via customer service phone numbers or via email to take action or stop the card.

18. E CARDS:

The Central Operations Unit - Cards and Electronic Services Department serves the Bank's customers by providing banking cards of all three types (debit cards, credit cards, and prepaid cards). Through diligent work and continuous effort, the Bank was able to gain

the trust of its customers and attract more customers to increase confidence in the quality of services provided by the Bank.

Below is the list of the types of cards and services provided through the bank:

a. Prepaid Cards - Anonymous card:

They are those cards that are issued in advance and ready for sale, and they are of two types: the Internet card, and it has four denominations (25-50-75-100) in the USD currency and (25,000-50,000-75,000-100,000) in IQD currency, and the other type is the gift card, It is a rechargeable card for many times and is used on the Internet and on ATMs as well, and that both types of cards are available in all the Bank's branches, and they are available both to the Bank's customers or any other person so that the price of the card and the value of its recharge are paid, and then starts using it.

b. Credit Cards:

A type of direct facility that authorizes the customer to withdraw an amount or purchase a good or service without having a balance in his account, whether the customer has to pay the entire utilized balance on the due date, or pay a percentage of this balance specified in the contract so that interest is calculated on the remaining balance.

c. Debit Cards:

It is a card issued by the Bank that allows its holders to pay their purchases and withdrawals by drawing on their current accounts directly, i.e., the customer he can use his card only if he has a balance in his account.

d. Internet and Mobile Services:

These are the services that the Bank provides to its customers in order to communicate with them through the phone and the Internet and to facilitate some banking operations without the need to return to the branch.

e. Portal & ATM card electronic platform:

This platform provides several services to the Bank's customers, including the process of reloading via Portal for system users, reloading through the portal, transferring from a debit card to a prepaid card and from a prepaid card to another prepaid card, as well as changing the status of the card and requesting an account statement, and it must have user gateway credentials, card number, card expiration date, card verification number (CVC), as well as ATM transfer for prepaid cards.

The operations on the cards have constituted a qualitative leap in improvement since the launch of electronic services due to the continuous development that is taking place in the quality-of-service provision and the upgrading of the purchasing culture level among customers, which was effectively reflected on external purchases. The following table shows the card operations during the year 2021 compared to the years 2019 and 2020:

The operations values in USD			
	2019	2020	2021
External purchase	14,554,896	15,199,031	24,996,301.97
External cash withdrawal	1,683,710	1,574,267	1,721,468.91
Local purchase	75,975	150,635	209,889.85
Local cash withdrawal	185,146	108,336	34,139.03

Issuing operations:

Issuances for the year 2021 increased by 71% over the previous year, as the salary localization project had a remarkable impact on the increase in the issuance of cards, as the total number of issuances since the launch until the date of 31/12/2021 reached (24,249) cards of both types “debit cards and credit cards.” The prepaid cards sold for the year 2021 amounted to (386) cards. The total number of cards issued during the current year reached (5023) cards.

Purchases and cash withdrawals:

Customers’ confidence is constantly increasing in the product of cards issued by the Bank, which has been positively reflected on the operations of using and relying on cards during shopping and withdrawals from ATMs, and the table below shows in numbers the growth of operations during the year 2021.

We note from the table that the bulk of external operations are in purchases, as a result of increased banking awareness among customers and good confidence in the Bank and its products.

The operations values in USD				
	1st. quarter	2 nd . quarter	3 rd . quarter	4 th . quarter
External purchase	4,618,758	5,152,478	7,482,637	7,742,429
External cash withdrawal	290,648	363,832	552,204	514,784
Local purchase	33,265	28,859	64,878	82,888
Local cash withdrawal	8,356	27	1	25,755
Internal cash withdrawal	14,702,041	18,153,059	20,427,389	24,103,032

Withdrawals for foreign cards at our ATMs:

The Bank has more than 50 ATMs distributed over many Iraqi governorates, and the continuous expansion and development in the distribution of ATMs and working to keep them in service as long as possible has led to gaining the confidence of other local and foreign Bank customers in ATM services provided by the Bank, thus demand for making transactions from our devices increased, which reflects a positive image of the Bank and its services. The table below shows the transactions made on foreign card ATMs:

Value of transactions made on ATMs through foreign cards 2021			
1st. quarter	2 nd . quarter	3 rd . quarter	4 th . quarter
1,692,548	1,916,788	1,439,723	1,567,291

19. POST BALANCE SHEET EVENTS AND BUSINESS CONTINUITY:

- The impact of the Covid 19 pandemic continued, and certainly this pandemic has a significant impact on the Bank's operations for the coming year and on achieving profits, but it does not have a direct impact on the financial and monetary position of the Bank as it was on the mentioned date.
- In light of the budget and activity plans for 2022 and according to the best information available to us, we have full confidence in the Bank's continuity in the near future and at an accelerated pace as a continuous enterprise.

20. BOD RESPONSIBILITY ABOUT THE FINANCIAL STATEMENTS AND INTERNAL CONTROL:

Based on the provisions of Article 23/2 and Article 23/3 of the CBI Corporate Banking Guide, the Board:

- It is responsible for the accuracy and adequacy of the Bank's financial statements, the information contained in the annual report, and the adequacy of internal control systems.
- 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.

21. CONTRACTS CONCLUDED DURING THE YEAR:

The following are the details of the contracts concluded during the year 2021:

- Contract with Masar Al Imtithal company for risk-based internal audit services for IT.
- Contract with Iraqna Company to provide the Bank with an electronic archiving system.
- Advertising contract with Unique Engine.
- Security guard contract for Kalar branch with Super Armor.
- Internet Service Provider Agreement with K.I.T.S
- Central cooling maintenance contract with Strum Line.
- Contract for pest control and public health services with Blue Field.

- H. Mosul branch lease contract.
- I. Cleaning contract with Jangawar Group.
- J. Money transfer protection contract with Iraq Jannat for Security Services and Private Guards.
- K. Money transfer contract with the Iraqi Company for Banking Services.

22. AMOUNTS SPENT FOR PROMOTION, ADVERTISING, TRAVEL AND TRANSPORTATION:

The following is a statement showing the amounts spent for the purposes of promotion, advertising, travel and transportation and hospitality, bonuses for non-employees for three previous years.

Account	2019 IQD 1000	2020 IQD 1000	2021 IQD 1000
Promotion and Advertisement	108,930	15,473	45,157
Transportation and Travel	368,704	246,875	449,377
Hospitality	67,516	56,355	52,358
Non-employee compensation for services rendered	140,292	919,701	1,352,424

23. SOCIAL RESPONSIBILITY:

The Bank adopts a policy of social responsibility, and the general framework of this responsibility including the commitment to the following:

- All activities, products and services provided by the bank must be compatible with the interests of society to achieve sustainable development.
- Encouraging and promoting positive ethical behaviours by adopting voluntary charitable initiatives.
- The social impact of the services and products provided by the Bank must be taken into consideration.
- The environmental impact of the services and products provided by the Bank must be taken into consideration.
- The economic impact of the services and products provided by the Bank must be taken into consideration
- Promote and strengthen environmental awareness campaigns for human resources and local community groups.
- Attracting human resources to provide job opportunities based on fairness and efficiency standards.
- Giving priority in recruitment to Iraqi human resources.
- Allowing the appointment of employees with special needs in line with the work requirements, while providing a work environment that encourages continuity.
- Empowerment of women through the application of the standard of justice in terms of appointment opportunities.
- Supporting small projects and adopting the development of products that serve the segments of society.
- Continuously monitor health and safety risks and take the necessary measures to mitigate or treat these risks.

- Ensure the existence of an effective work mechanism for managing crises and emergencies.

24. SUSTAINABILITY:

In line with its strategy, the Bank continues to focus on taking advantage of available opportunities and trying to reduce social impacts, aligning financing, investment and its policies to meet social challenges and help our customers achieve their aspirations and contribute to economic development through the sustainable value of our financial products and banking services.

In addition, the bank invests a lot of money in developing digital banking systems, applications and innovative banking services, which helps us to raise the level of our efficiency, reduce costs and make banking operations safer, faster and easier for all parties.

25. STRATEGY PLAN FOR THE YEARS 2021-2023:

The Bank has prepared a strategic plan covering the years 2021-2023, and the following are the most prominent objectives of the plan:


- Attract more deposits.
- Increasing investment for the purpose of employing the financial resources available at the Bank.
- Expansion of credit quantitatively within the permissible limits and diversification of credit products.
- Expansion and increase the market share.
- Maintaining liquidity within the approved limits and standards.
- Increasing profitability to achieve the best returns for shareholders and depositors.
- Development of customer service.
- Sound risk management.
- Contribute to financial inclusion and provide the best services to customers.
- Ensure the overall quality of the Bank's operations in accordance with standard specifications.
- Continuing to build the Bank's organizational capabilities.
- Development of human capabilities to ensure the highest levels of quality and efficiency
- Keeping abreast of developments in information and communications technology and employing them to serve banking operations.

26. CONCLUSION:

In conclusion, I take this opportunity to express, on my own behalf and on behalf of my fellow Board members, my thanks and gratitude for the support and loyalty shown by the Bank's shareholders, the Executive Management team and all employees for their commitment and dedication. It is God's success with great thanks and respect.



Ahmad A. K. Ismael
CEO



Azad Y. S. Bajger
Chairman

REPORT OF SHARIA ADVISORY BOARD

بسم الله الرحمن الرحيم
الحمد لله رب العالمين والصلاة والسلام على سيدنا محمد وآله وصحبه أجمعين

To: The General Assembly of CIHAN Bank for Islamic Investment and Finance

السلام عليكم ورحمه الله وبركاته..

In accordance with the letter of engagement issued by CIHAN Bank for Islamic Investment and Finance, we are pleased to present to you the following report:


We have monitored the principles used and contracts relating to the transactions and applications put forward by the Bank for the financial year ended 31/12/2021. We have done the necessary monitoring to express whether the Bank has complied with the provisions and principles of Islamic Sharia in its transactions and banking services. Our responsibility is restricted to monitor the Bank's operations and to prepare a report for you.

We conducted our audit, which included examining the documentation and procedures of the Bank based on testing each type of operation.

We have planned and implemented our monitoring in order to obtain all the information and explanations that we deemed necessary to provide us with sufficient evidence to give reasonable assurance that the Bank did not violate the provisions and principles of Islamic Sharia.

In our opinion:

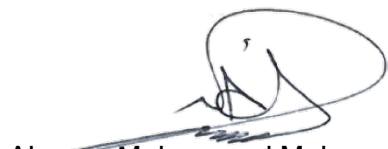
- 1- The contracts entered by CIHAN Bank for Islamic Investment and Finance during FY 2021, that we had access to, were made according to the provisions and principles of the Islamic Sharia.
- 2- The distribution of profit on the investment accounts accords with the basis we have adopted as per the Sharia principles.
3. All revenues or gains obtained from sources or in a manner prohibited by the Bank for violating the provisions and principles of Islamic Sharia have been spent in charitable actions.


Dr. Abdulsattar Karim Saeed
Head, Sharia Advisory Board

ANTI- MONEY LAUNDERING REPORT

The Bank applies an effective policy aimed at reporting money laundering and terrorist financing, and to ensure compliance with laws, regulations, instructions, rules of sound behavior, and sound banking standards and practices issued by local and international agencies, in particular:

1. Follow up compliance with the laws, regulations, instructions and directives of the Central Bank of Iraq by all departments and employees within the bank, and develop a database for that, and submit periodic reports to the Central Bank.
2. Commitment to implement AML/CFT instructions by checking and signing all transactions by officials of AML units in branches for amounts in excess of the legally prescribed, in addition to providing CBI with all data and tables on scheduled dates.
3. The Bank shall complete all documents related to identifying the customer in a clear manner when opening current accounts, and checking company documents by the branches to ensure that the legal conditions and powers are met. The Bank will also request any additional documents that are needed, follow up personal and professional reputation, follow up the names of customers in the blacklists, and update the data of customers who have continuous movement of balances with the Bank.
4. There are official framework that link the Bank with the correspondent banks to follow up incoming and outgoing remittances to ensure their validity and their compliance with international and legal controls.
5. The control operations carried out by the Bank are subject to continuous monitoring by CBI, directly or indirectly, through continuous inspection visits.



Ahmad Muhammed Mahmood
AMLRO

COMPLIANCE OFFICER REPORT

In accordance with Compliance Instructions issued by CBI by letter No. 9/3/217 dated 30/5/2018, and in accordance with paragraph 71 of the instruction 4 of 2010, in which the roles and duties of the compliance officer were determined.

The following are the main activities undertaken by the Compliance Officer during 2021:

- Submitting four quarterly reports to CBI according to the forms approved by them.
- Submitting monthly reports to the Board of Directors, including the most important observations monitored by the Compliance Officer on the Bank's activities and the recommendations to address them.
- Attending CBI's monthly meetings with private banks. Reports of these meetings were submitted to the senior executive management.
- Following-up correspondence and resolutions of CBI, where the senior management have been approached, on overcoming the observations contained therein.
- Coordination with the Compliance Officers in the branches on the matters related to their compliance functions in those branches.
- Coordination with the senior executive management regarding the implementation of the controls (the Sharia Supervisory Board and Sharia Compliance in Islamic Banks) issued by CBI.
- Responding all inquiries received from other departments.



Husham Essa Alwan
Compliance Officer

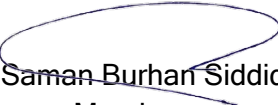
AUDIT COMMITTEE REPORT

Based on the Article (12) of the Corporate Governance Guidelines for Banks issued by the Central Bank of Iraq and in accordance with the tasks and powers assigned to the Audit Committee mentioned in Paragraph (3) of Article (12) of the Guide.

We present to you the overall work of the committee during the year 2021, where the committee held 24 meetings:

1. The Committee reviewed the policies, documents, and manuals related to the design of corporate governance requirements for the Internal Shari'a Audit and Control Department and made recommendations in this regard to the Board of Directors for approval and authentication.
2. The Committee reviewed office and field reports issued by the Department of Internal Shari'a Audit, in accordance with the audit plan prepared by the aforementioned department.
3. The Committee reviewed the implementation plan of the Internal Sharia Control and Audit Department for the year 2021 and ensured that the internal audit plan included testing the internal controls and reviewing and approving the said department's plan for the year 2022.
4. The Committee reviewed the reports issued by the Sharia Compliance and Compliance Monitoring Section and ensured compliance with the internal control regulations.
5. The Committee reviewed the activity reports of the Money Laundering and Terrorist Financing Reporting Section and ensured compliance with the anti-money laundering and terrorist financing laws.
6. The committee reviewed the Bank's training and development plan for 2021, followed up its implementation, and reviewed the document on general policies and the Bank's human resources service system.
7. The Committee held discussions and recommendations on the nominations for the position of Director of the Internal Sharia Control and Audit Department.
8. The committee reviewed the organizational structure of Cihan Bank and the and organizational updating in the Bank's structure and recommended to the Board for approval.
9. The Committee reviewed the policies and procedures related to related party transactions.
10. The Committee reviewed the policies and procedures related to the provisions of Islamic Sharia and reviewed the products and services provided by the Bank in the year 2021.


Mariwan F. Ahmad
Head, Audit Committee


Saman Burhan Siddiq
Member



Ali Jamal Amin
Member

CORPORATE GOVERNANCE REPORT

Based on the Article (12) of the Corporate Governance Guidelines for Banks issued by the Central Bank of Iraq and in accordance with the tasks and powers assigned to the Corporate Governance Committee, contained in Paragraph (6) of Article (12) of the guide.

We present to you in summary the work of the committee during the year 2021, where the committee held (21) meetings:

- 1 .The committee reviewed the policies, charters, and manuals related to the design of corporate governance requirements to ensure that the Bank applies the principles of corporate governance and sound practices.
- 2 . The committee reviewed the Bank's corporate governance manual, ensured the integrity of the governance framework, reviewed the organizational structure and organizational updating in the Bank's structure.
- 3 .The Committee reviewed the minutes of the meetings of the Information and Communication Technology Steering Committee to follow up on the Bank's application of the principles and controls of governance and institutional management of information and communication technology in the banking sector.
- 4 .The committee approved the Bank's long-term sustainable strategy plan 2021-2023 and ensured that the plan was aligned with the Bank's strategy, vision and mission, reviewed the Bank's achievements report in the first half of 2021 of the plan, and ensured that the core values were included in the Bank's activities and reviewed the activities that had been completed.
5. The committee reviewed the sustainability and social responsibility report.
6. The Committee reviewed the activities carried out to support the spread of knowledge of the Corporate Governance Manual in 2021 and followed up the implementation of governance policies at the level of all Bank branches.
7. The Committee reviewed the participation of the members of the Board of Directors in the training and development activities designed to inform the Board members of the developments, best practices and procedures followed in the field of governance.
8. The Committee reviewed the semi-annual report of the Sharia Supervisory Board for the year 2021 on compliance with Sharia principles and provisions.
9. The committee reviewed the minutes of the meeting of the chairman of the board of directors with the executive management and reviewed the minutes of the meeting of the managing director with branch and department managers, and reviewed the report on the executive management's achievements in achieving the Bank's goals and operations during the first half of 2021.


Azad Yehya Saed
Head, CG Committee


Ahmed A.K Ismael
Member


Taban A.K Gharib
Member


RISK MANAGEMENT COMMITTEE REPORT

Based on the Article (12) of the Corporate Governance Guidelines for Banks issued by the Central Bank of Iraq and in accordance with the tasks and powers Assigned to the Risk Management Committee, mentioned in Paragraph (4) of Article (12) of the Guide.

We present to you in summary the work of the risk management committee during the year 2021, where the committee held (28) meetings:

- 1 .The Committee reviewed the policies, documents and manuals related to the design of corporate governance requirements for the Money Laundering and Terrorist Financing Reporting Section, the Sharia Compliance and Compliance Control Section, and the Risk Management Section, and ensured the Bank's compliance with the applicable controls and instructions, circulars issued by the Central Bank of Iraq, the supervisory frameworks, legislation and related instructions, and submitted recommendations to the Board of Directors for approval and authentication.
- 2 .The committee reviewed the risk management reports and the stress test reports.
- 3 .The committee reviewed the executive management reports on the analysis of the consolidated trial balance accounts, the existing operational risk report, the liquidity report, the credit report and the results of applying Financial Reporting Standard No. (9) on cash credit and the acceptable risk policy, and ensured the Bank's compliance with the Bank's approved risk policies.
- 4 . The committee reviewed the minutes of the meetings of the committees emanating from the executive management (credit, investment, information and communication technology).
- 5 The Committee reviewed the reports of the Money Laundering and Terrorist Financing Reporting Section, the Sharia Compliance and Compliance Monitoring Section, the monthly and quarterly compliance control reports, the monthly office audit reports, the field reports of the Internal Sharia Audit and Control Section, and reviewed the audit plan for the year 2021.
6. The committee reviewed the report on sustainability and social responsibility and the role of the Bank with regard to the financial resources' sustainability of the Bank, customers and investors, as well as activating the Bank's role in community service, enhancing financial inclusion and reviewing the bank's vision and mission.
7. The committee reviewed the risk management report on the achievement of the Bank's strategic plan and reviewed the activities undertaken to enhance and promote the culture of risk management within the Bank and at all levels.


Salih M. Mahmood
Head, RM Committee


Saman Burhan Siddiq
Member


Taban A. K. Ghareeb
Member

NOMINATION & REMUNERATION COMMITTEE REPORT

Based on the Article (12) of the Corporate Governance Guidelines for Banks issued by the Central Bank of Iraq and according to the tasks and powers assigned to the Committee mentioned in Paragraph (5) of Article (12) of the Guide.

We present to you in summary the work of the committee during the year 2021, where the committee held (6) meetings:

- 1 .The committee reviewed the most important events that took place in human resources and related to the rate of job turnover, such as resignations, appointments or transfers.
- 2 .The committee reviewed the job succession plan prepared by the senior executive management based on the organizational structure approved by the Bank and in line with the requirements of corporate governance regarding the job succession plan.
- 3 .The Committee reviewed the approved training plan for the year 2021, and evaluated the extent of implementation of the plan by reviewing the training programs implemented within the Bank and the training programs that were participated online implemented by the Central Bank of Iraq and the League of Iraqi Private Banks and specialized training institutions.
- 4 .The committee supervised the performance evaluation process for the members of BOD and its committees in accordance with the evaluation policies approved by the Bank.
5. The Committee reviewed the results of the annual evaluation of department managers and employees in the Head Office and branches and made recommendations in their regard to the Board of Directors.
6. The committee held discussions and recommendations regarding the nominations for the position of Manager of the Internal & Sharia Audit Department, Financial Department and Legal Department.
7. The committee reviewed the policy of granting remunerations, made recommendations to the Board, and verified the extent to which the Bank achieved its long-term goals in accordance with the approved strategic plan, and verified that the policy was in line with the principles and practices of sound governance.

Azad Y. Saeed
Head, NR Committee

Taban A. K. Ghareeb
Member

Ali Jamal Amin
Member